

**EXHIBIT 1606 TO
CISNEROS DECLARATION IN
SUPPORT OF PLAINTIFFS'
SUPPLEMENTAL MOTION FOR
CLASS CERTIFICATION
[ECF NO. 418-2]
REDACTED VERSION**

Comp Basics for Recruiters

Google

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EXHIBIT	1606
WIT:	Wagner
DATE:	3.7.2013
ANNE TORREANO, CSR #10520	

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GOOG-HIGH TECH-00036287

1606.1

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Objectives

Go gle

- 1) Provide recruiters with a strong foundational knowledge of compensation at Google
- 2) Prepare recruiters for common comp-related questions, objections and circumstances that they may encounter while working with a candidate
- 3) Increase transparency of Google's compensation philosophy and processes
- 4) Encourage broader recruiter collaboration with compensation team

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/606.2

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Course Overview

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- ✓ Philosophy
- ✓ Compensation Components
- ✓ Comping an Offer
- ✓ Miscellaneous
- ✓ Objections and Rebuttals
- ✓ Contacts

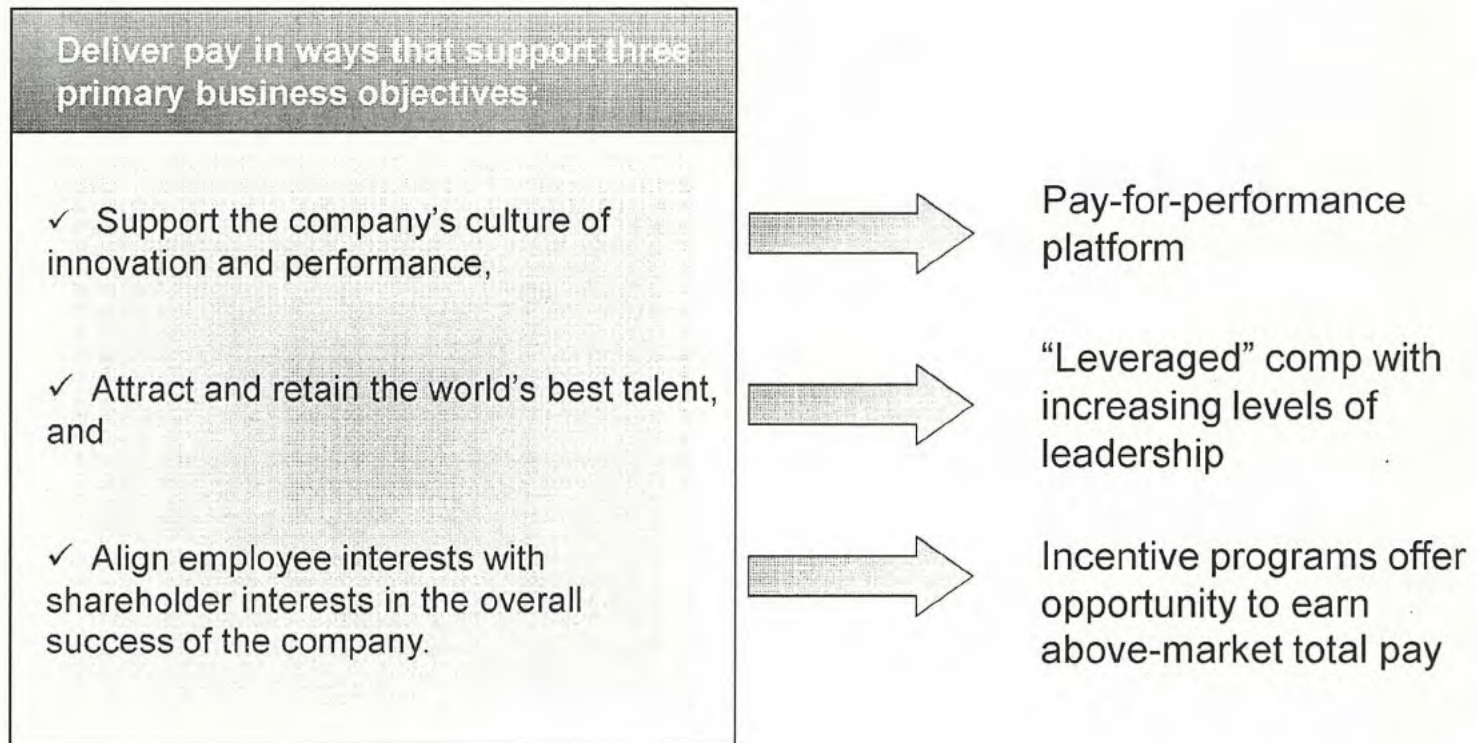
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Compensation Philosophy

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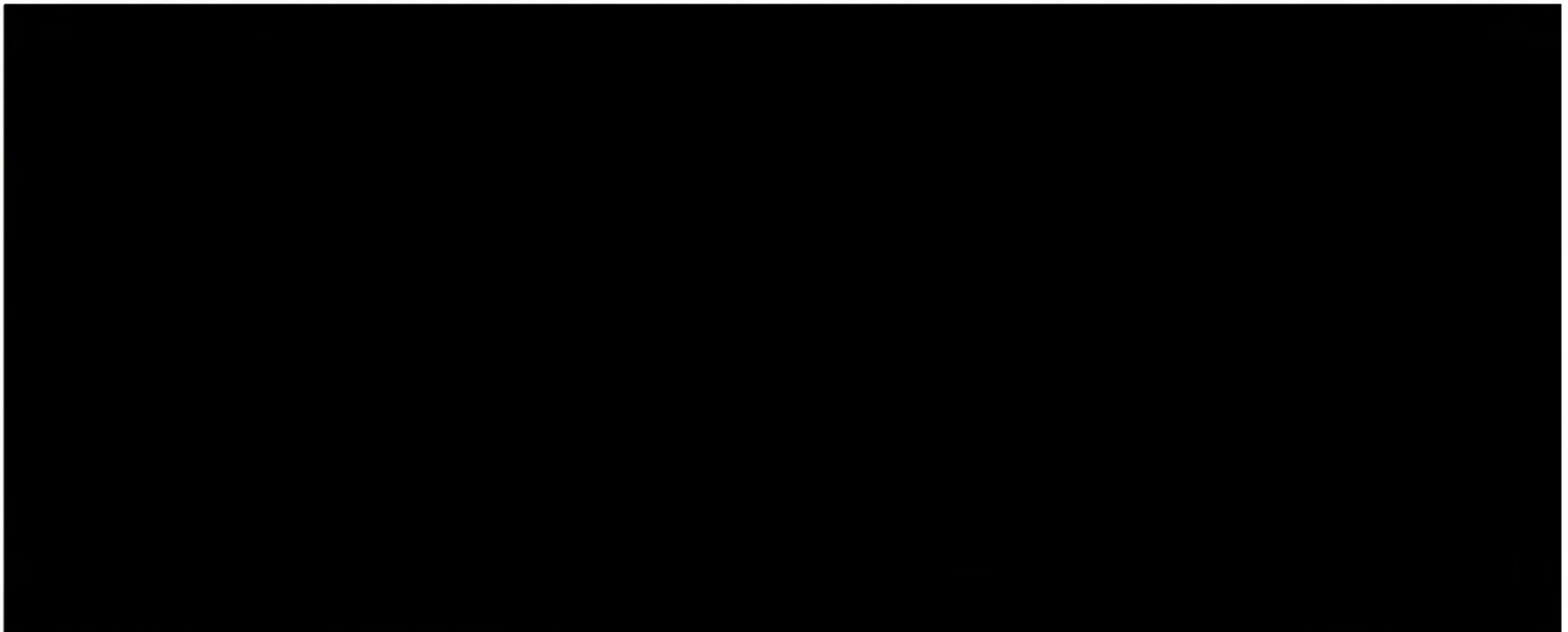
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What's our pay history?

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Target market pay rates have changed with growth



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Total Remuneration Value Proposition

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Google aims to be very competitive on total reward – most people experience a change in pay mix, resulting in larger total remuneration packages

		REWARD ELEMENT	OBJECTIVE
	TOTAL REWARD	WORK CONTENT, ENVIRONMENT & CULTURE	Build one of the most intelligent, highly motivated groups of employees in the world and foster a flat, collaborative work environment. Provide ongoing exposure to interesting and challenging work
	TOTAL REMUNERATION	BENEFITS	Be a market leader in indirect awards in a way that adds meaningful value to employees' personal and professional lives
	TOTAL DIRECT PAY	EQUITY	Provide all employees with an ownership stake in the company's future performance, AND "meaningful" future value at grant
	TOTAL CASH	BONUS	Above-market highly leveraged short-term cash incentives that reward individual contributions rather than tenure or roles
		BASE	Competitive base salaries

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Total Remuneration Value Proposition

Go gle

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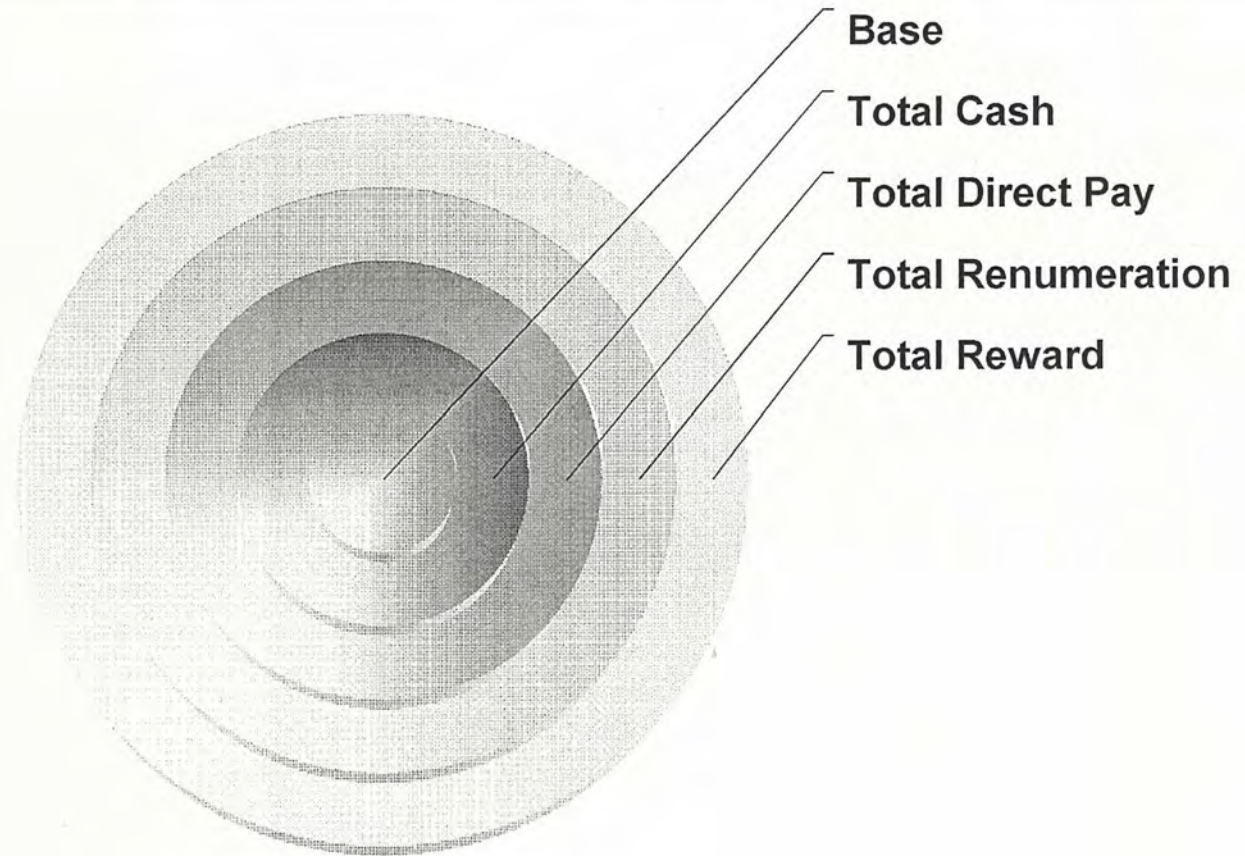
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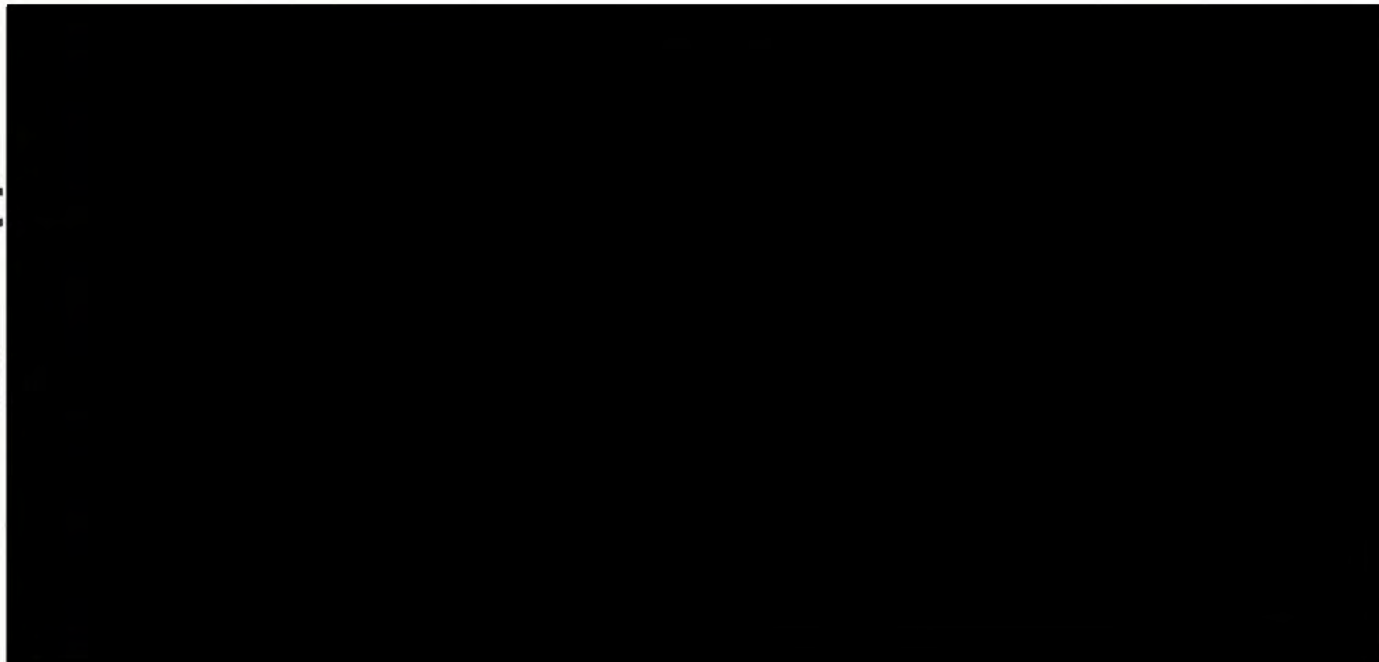
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How do we think about total direct compensation? Go gle

Total Compensation = Salary + Bonus + Stock

Target

Actual
upside



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Compensation Components

Setting a Base Salary



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Compensation Components

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- Base Salary
 - Benchmarking
 - Leveling
 - Proposing a Base
- Bonus Programs
 - Company Bonus Program
 - Sales Incentive Program
- Long Term Incentives
 - Stock Options
 - Google Stock Units (GSUs)
- Sign-on Bonus and Relocation

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Benchmarking Overview

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What is Google's intended position relative to market (non-sales)?

[REDACTED] for each element of pay - base salary, incentive and equity compensation

How do we measure the market?

- [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

How do we compare jobs to the market?

- [REDACTED]
[REDACTED]
[REDACTED]

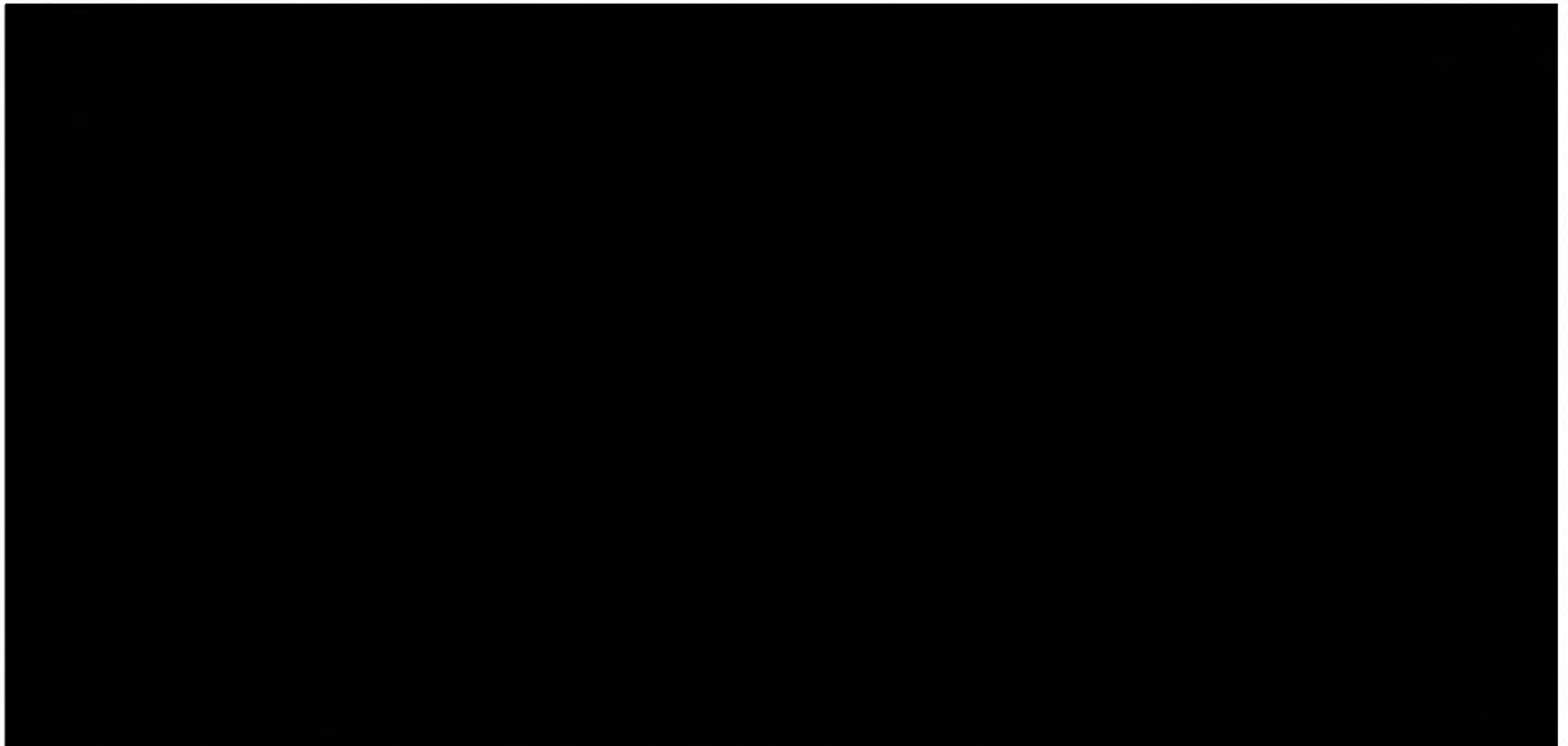
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Benchmarking Process

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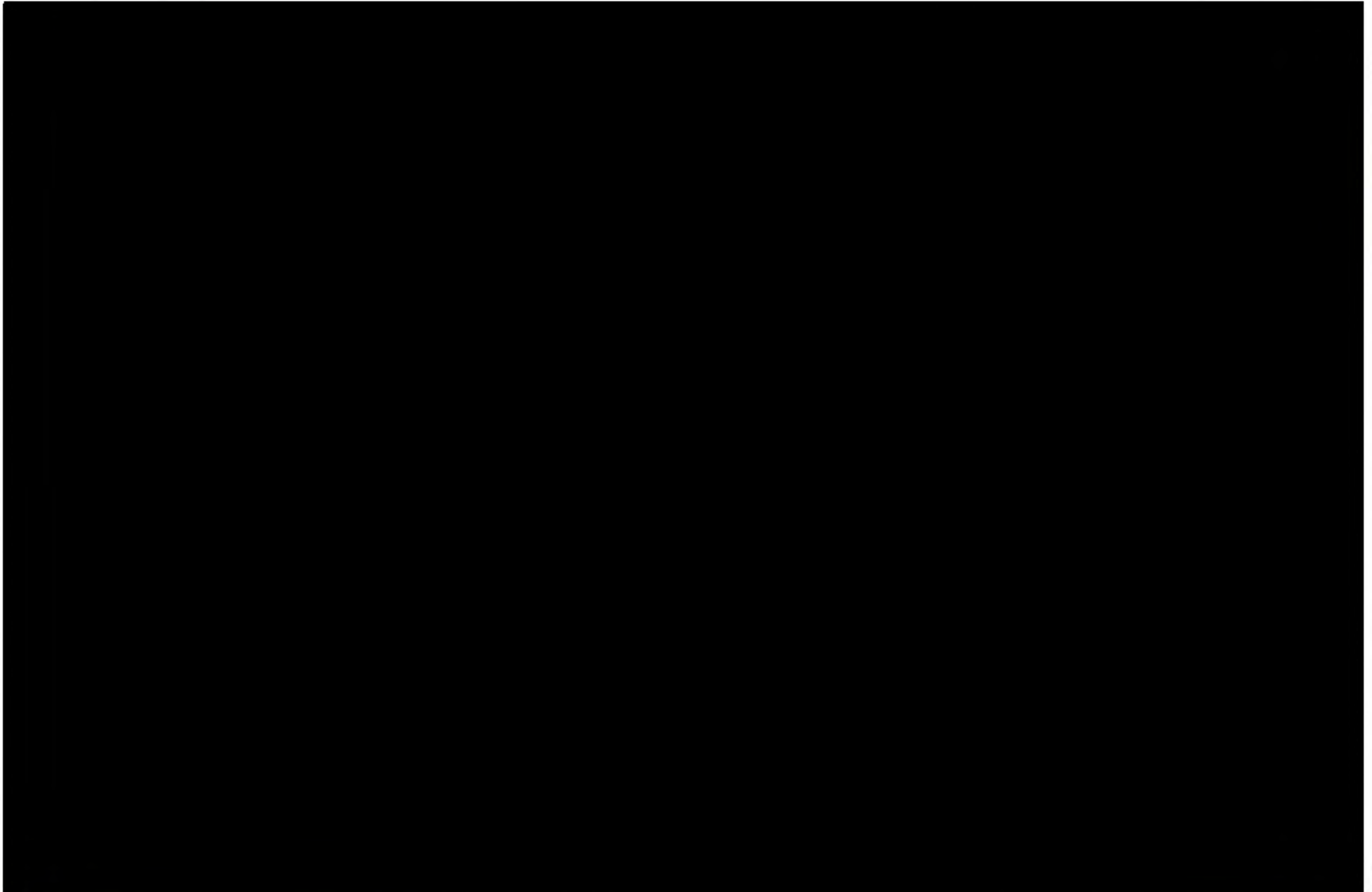
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Benchmarking Philosophy

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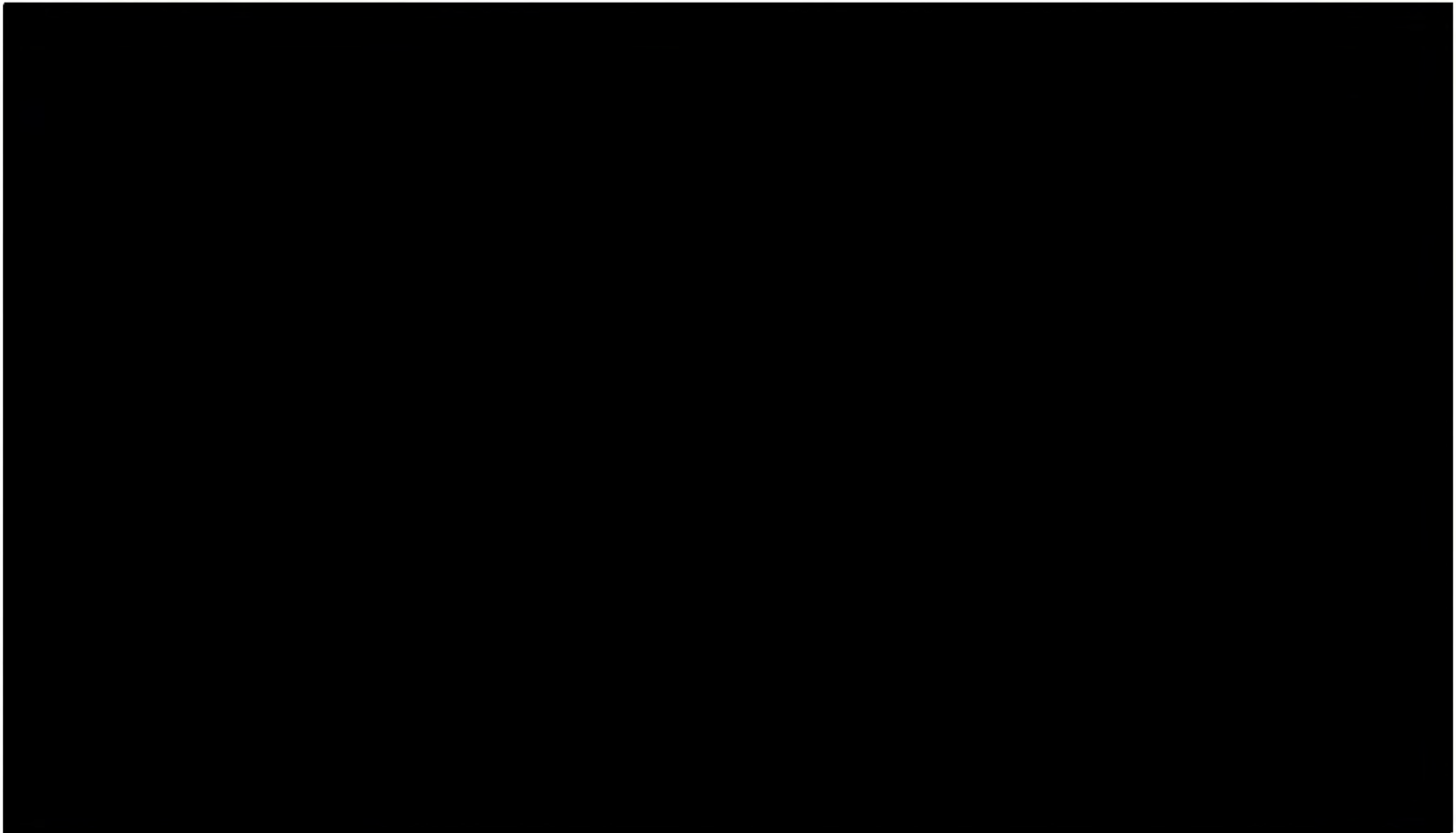
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Leveling

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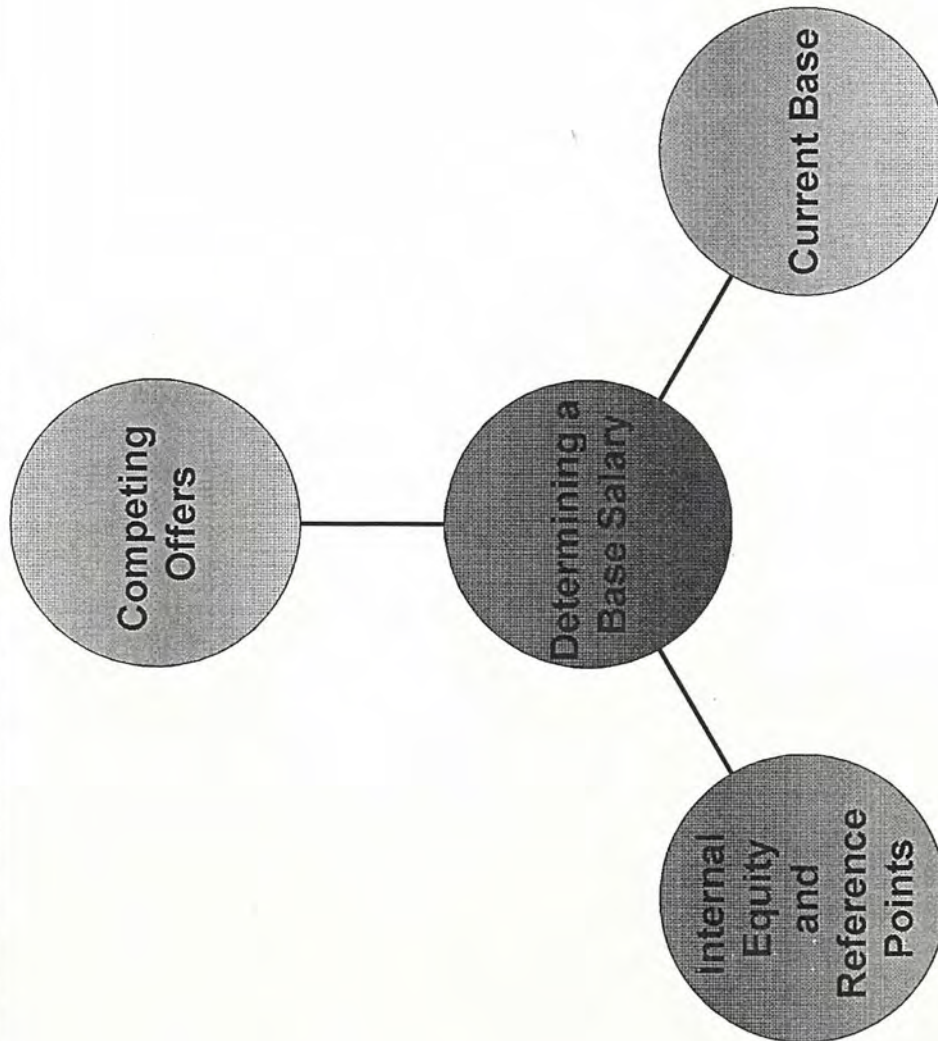
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Base Salary

Google

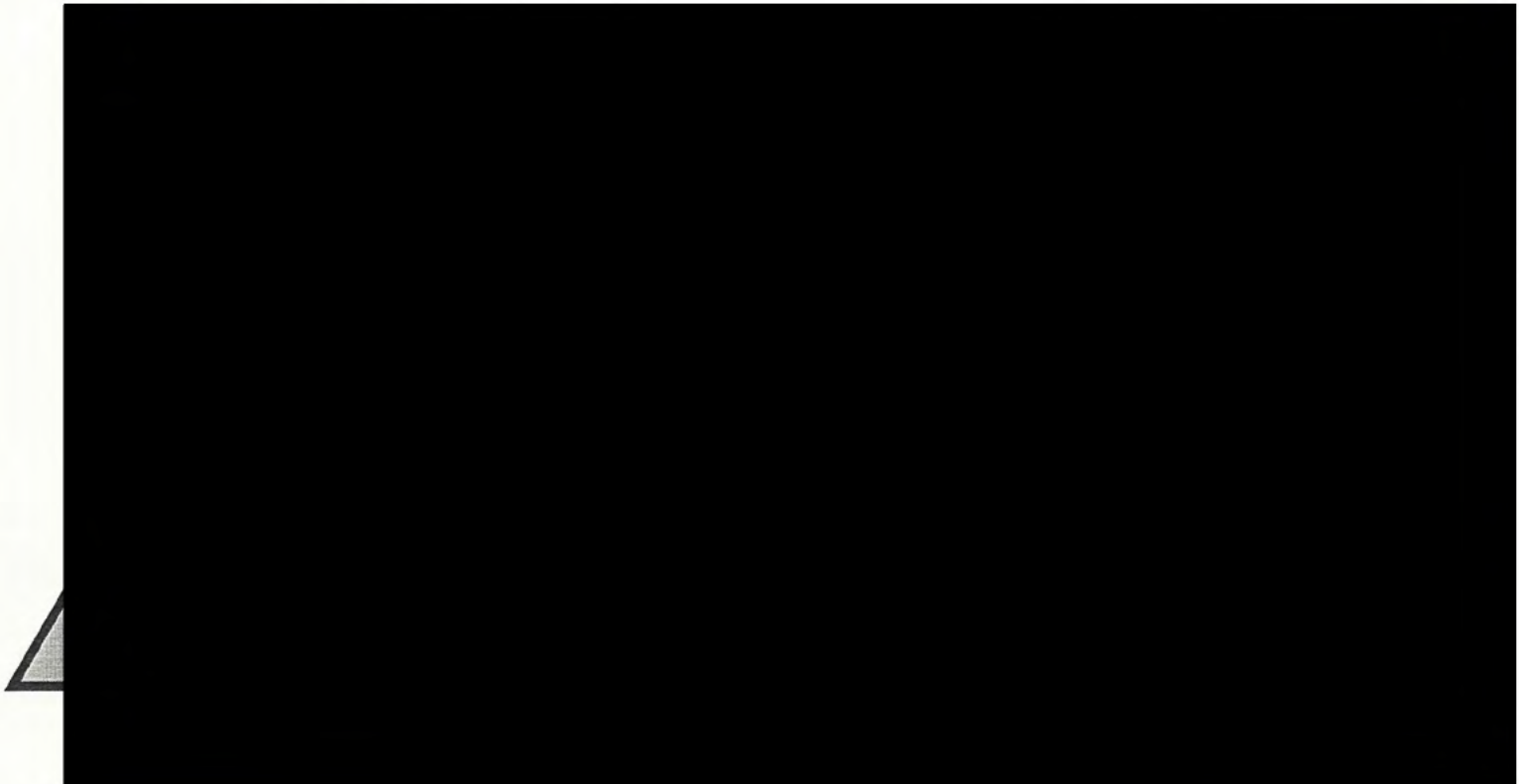


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Comping an Offer

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Process for leveling brand new job?

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Compensation Components

Bonus Programs

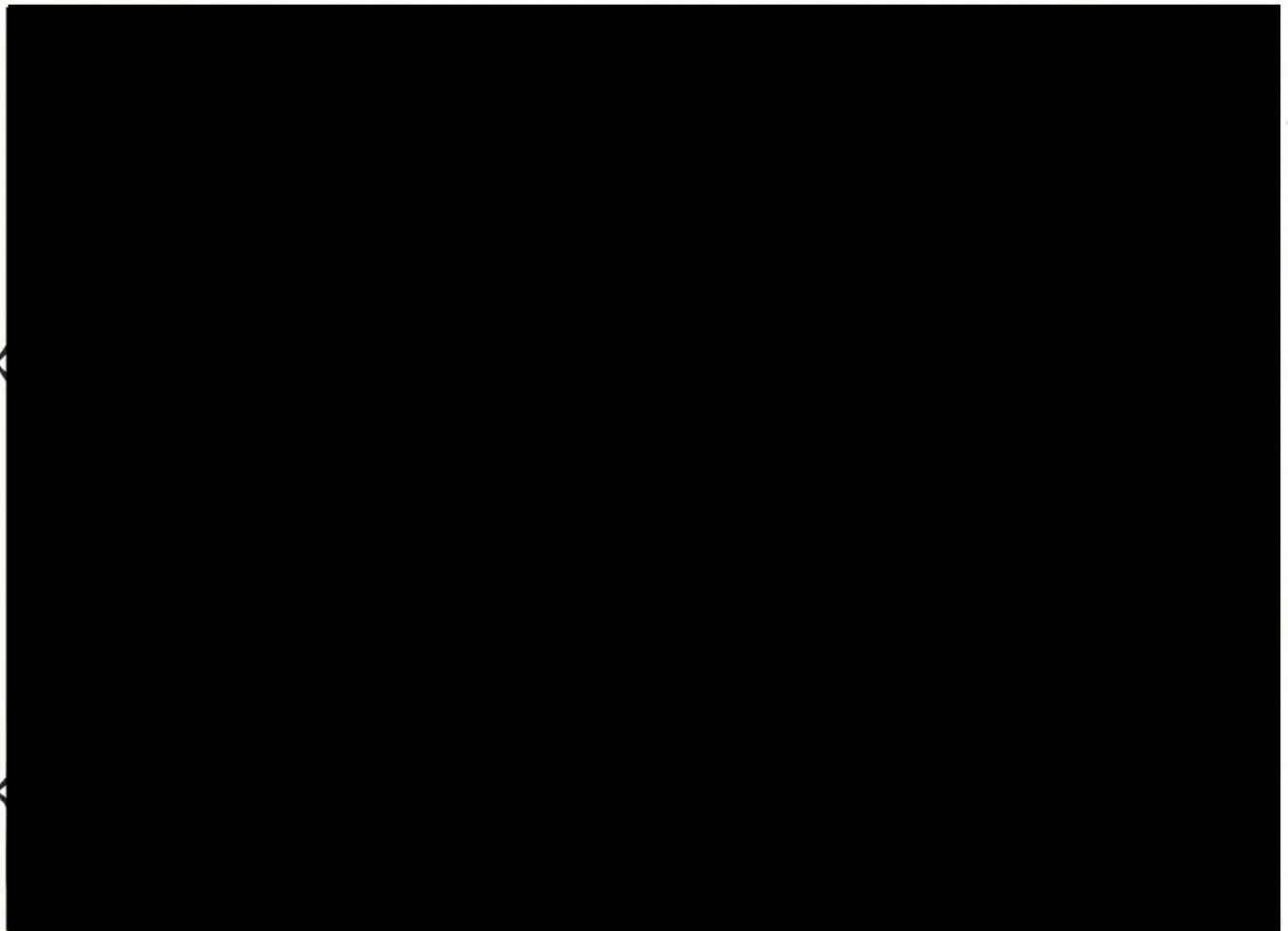


Company Bonus Program

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**On the
Company
Bonus
Program**

**On Sales
Incentive
Program**



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Company Bonus Program

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Google offers above-market target cash incentives and an opportunity to earn

[REDACTED]



(Percentages shown reflect percent of salary)

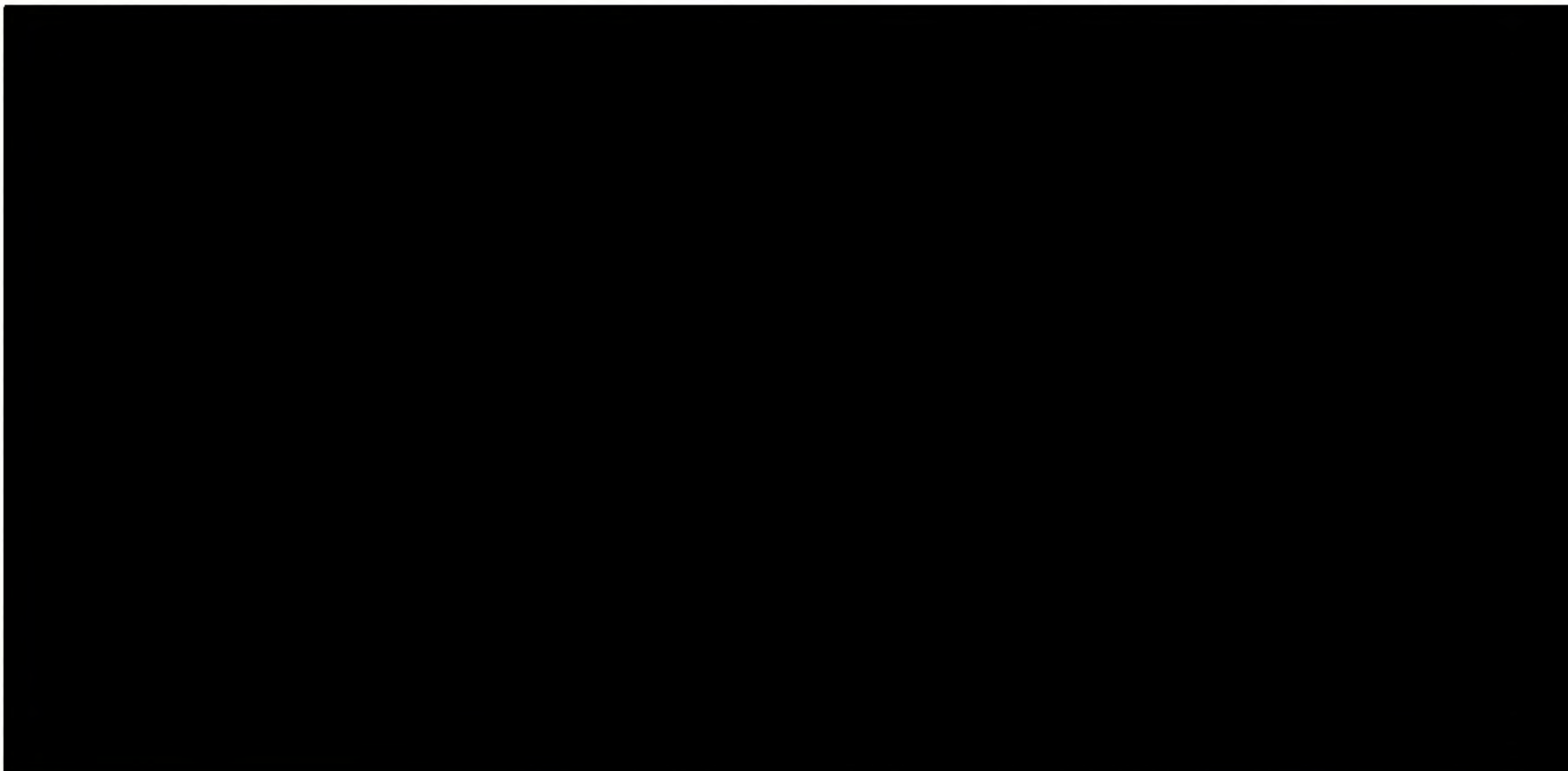
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Company Bonus Program

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Annual Review

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- Salary Review

- Takes place in November
- Opportunity for increase is based on performance and current pay relative to desired market position for role.

- Annual Bonus

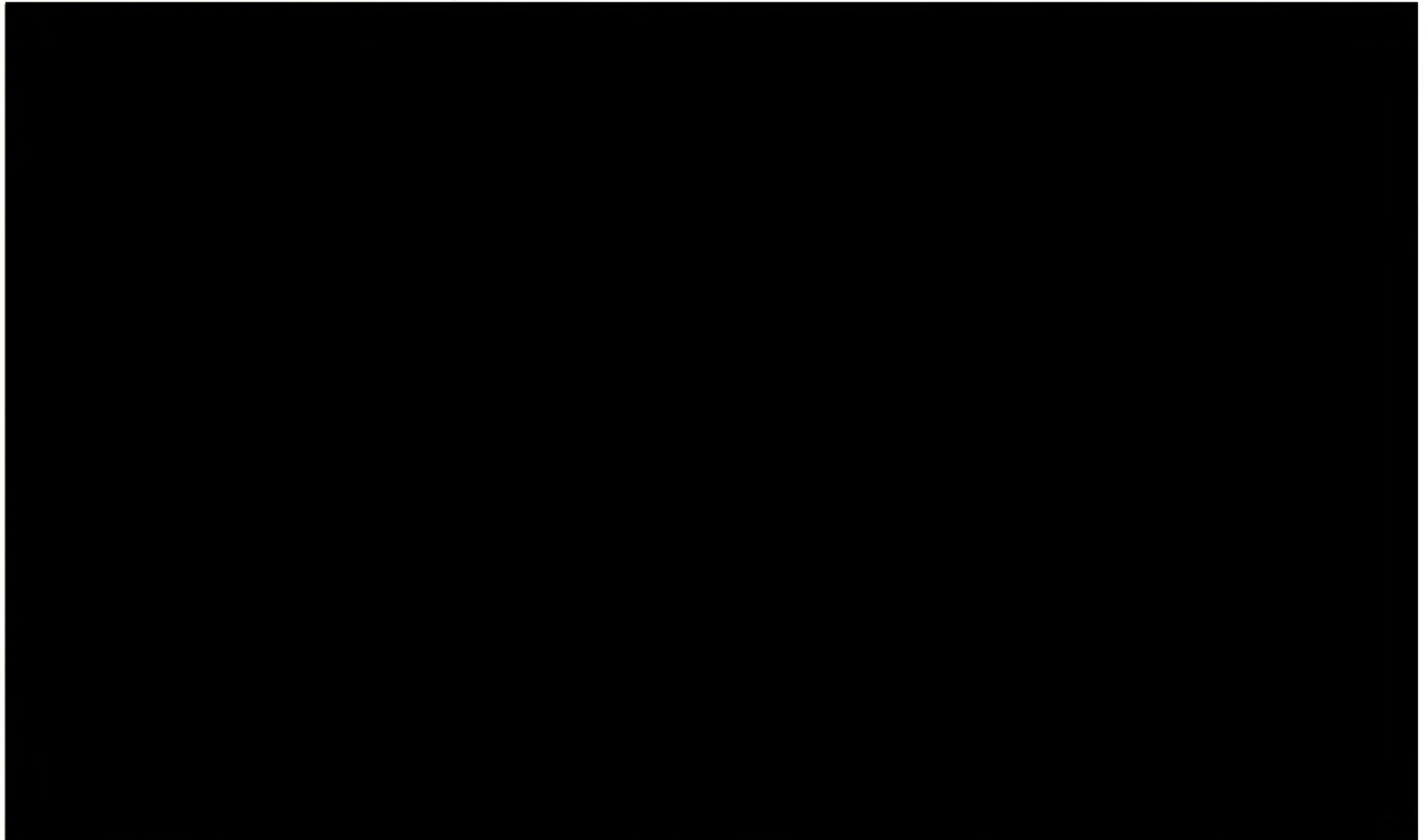
- Bonus calculation decisions made in February
- Paid out in March
- Based on Performance
 - OKRs
 - Metrics
 - Calibration scores

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Company Bonus Payout

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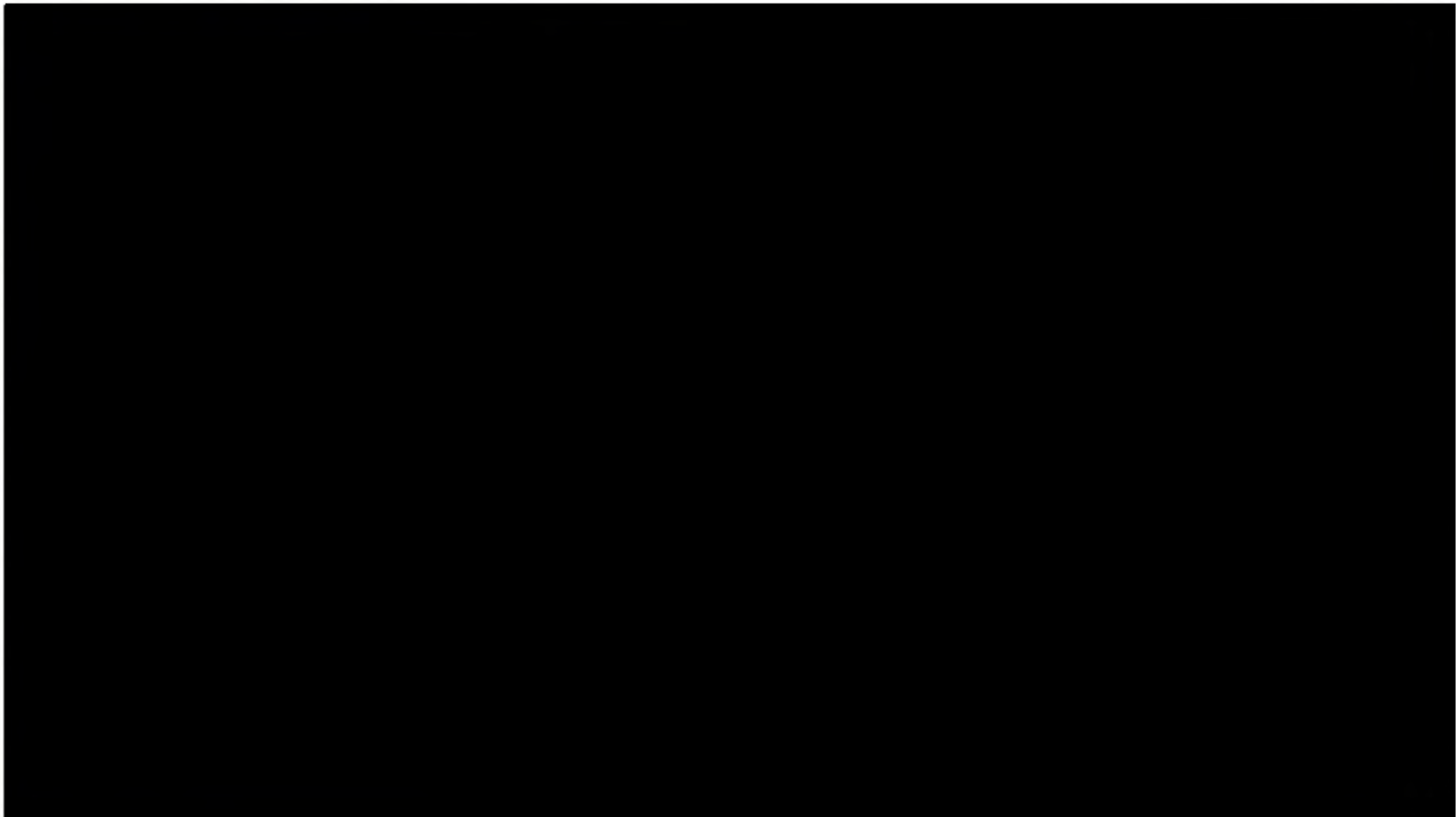
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Sales Incentive Program

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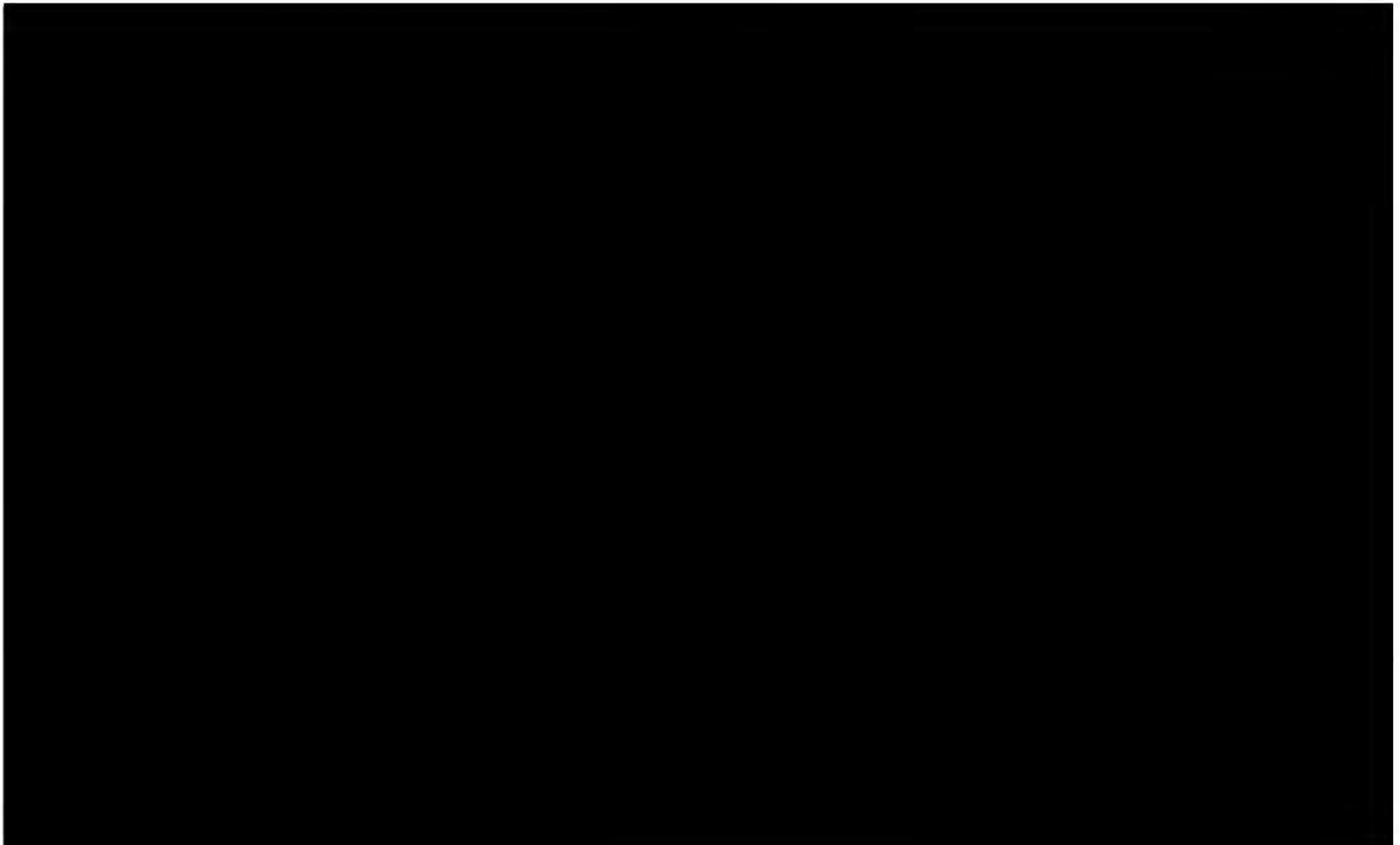
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Sales Incentive Program

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Compensation Components

Long Term Incentives



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Stock Options Overview

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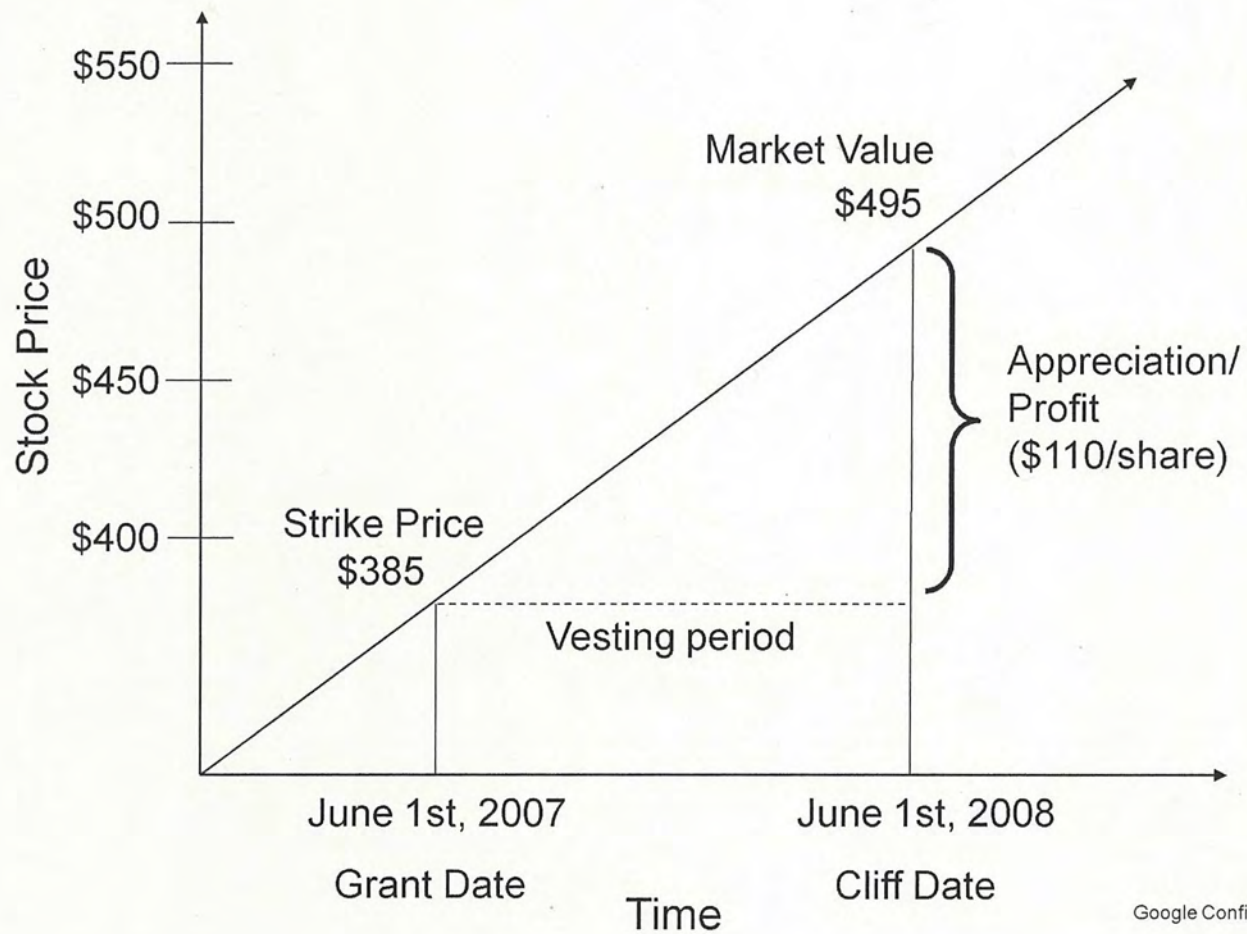
- A stock option is a securities contract that gives the holder (the “Optionee”) the right to purchase a set number of shares of the Company’s Common Stock at a fixed price (the “strike price”).
- There are two primary kinds of stock options:
 - Non-statutory stock option (NSO)
 - Restricted Stock Option (RSO)
- The **strike price**, or exercise price is based on the value of the stock on the day the option was granted.
- You don’t own any stock until you exercise your Stock Options, which means that you have purchased the shares.

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Glossary

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Stock Options vs. GSUs

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Stock Options

- Vest over a four year schedule
 - 1 year cliff before 25% vest
 - Remaining shares vest at 1/48 of grant per month
- Holder **only** realizes a gain if the stock increases in value
- Awards based on level, location, and EMG grade.

GSUs

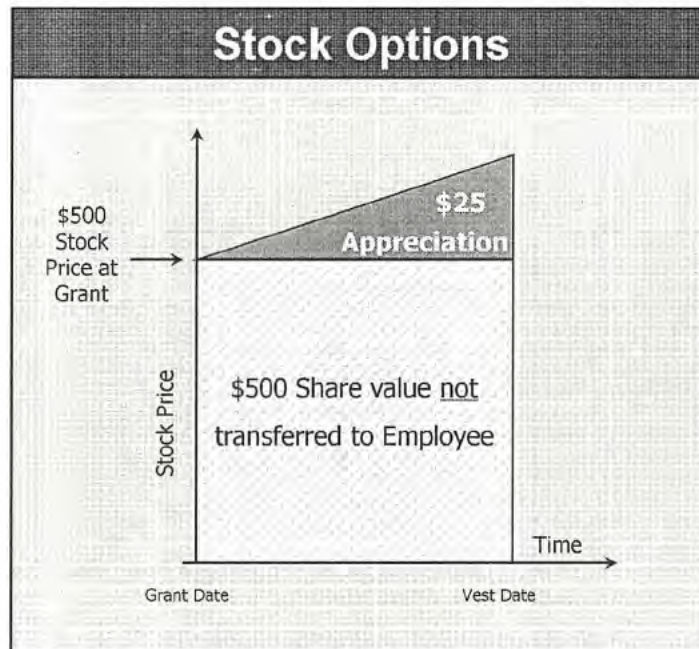
- Vest over a four year schedule
 - 1 year cliff before 25% vest
 - Remaining shares vest at 25% per year
- Holder receives the full value of the stock regardless of whether stock increases or decreases in value
- Awards based on level, location, and EMG grade.

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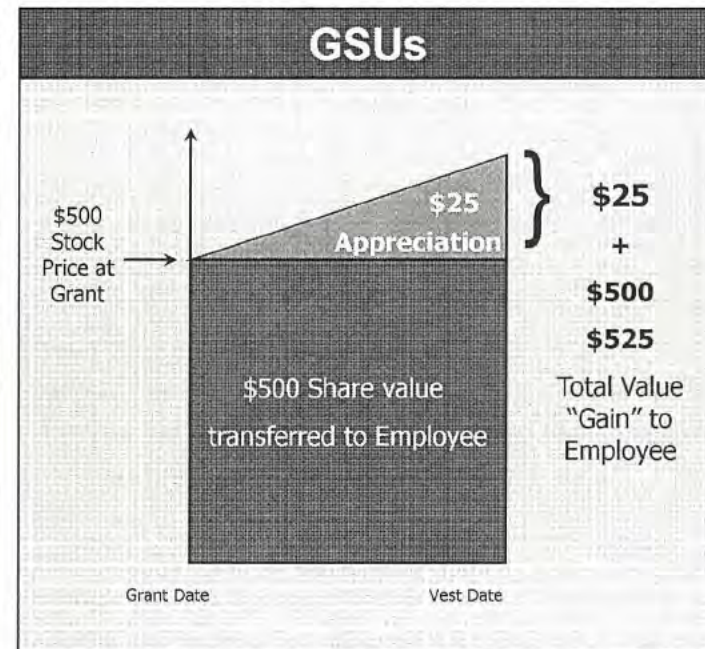
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Stock Options vs. GSUs

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- Stock price must go up for employee to realize a “gain”
- Gain is equal to the future stock price minus the stock price at grant



- No stock price movement is necessary for employee to realize a “gain”
- Gain is equal to the full price of the stock on the day of vest

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Stock Options vs. GSUs

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What about US tax treatment?

Stock Options	<ul style="list-style-type: none"> Gain to the employee is taxed as ordinary income <u>when the options are exercised</u> Upon sale of acquired shares, any further appreciation is taxed at applicable capital gains rates
GSUs	<ul style="list-style-type: none"> Gain to the employee (i.e., full share value + appreciation/depreciation) is taxed as ordinary income <u>when the units vest</u> <ul style="list-style-type: none"> ➤ Shares are granted net of tax withholding as shown: <div data-bbox="694 901 1398 1112" data-label="Equation-Block"> $\begin{array}{ccccccc} \text{Total GSUs Vested} & & \text{Gross Shares Granted} & & \text{Employee Income Taxes Withheld} & & \text{Final Shares Acquired} \\ \boxed{25 \text{ GSUs}} & = & \boxed{25 \text{ Class A Google Shares}} & - & \boxed{11 \text{ Class A Google Shares (Rate = 42.93\%)}} & = & \boxed{14 \text{ Class A Google Shares}} \end{array}$ </div> Upon sale of acquired shares, any further appreciation is taxed at applicable capital gains rates

Note: Tax treatment varies by country

... however, Google cannot offer tax advice and managers should direct candidates to their own tax advisors

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Stock Options vs. GSUs

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Google's new hire grants will be a combination of both stock options and GSUs

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Note that programs may vary by country

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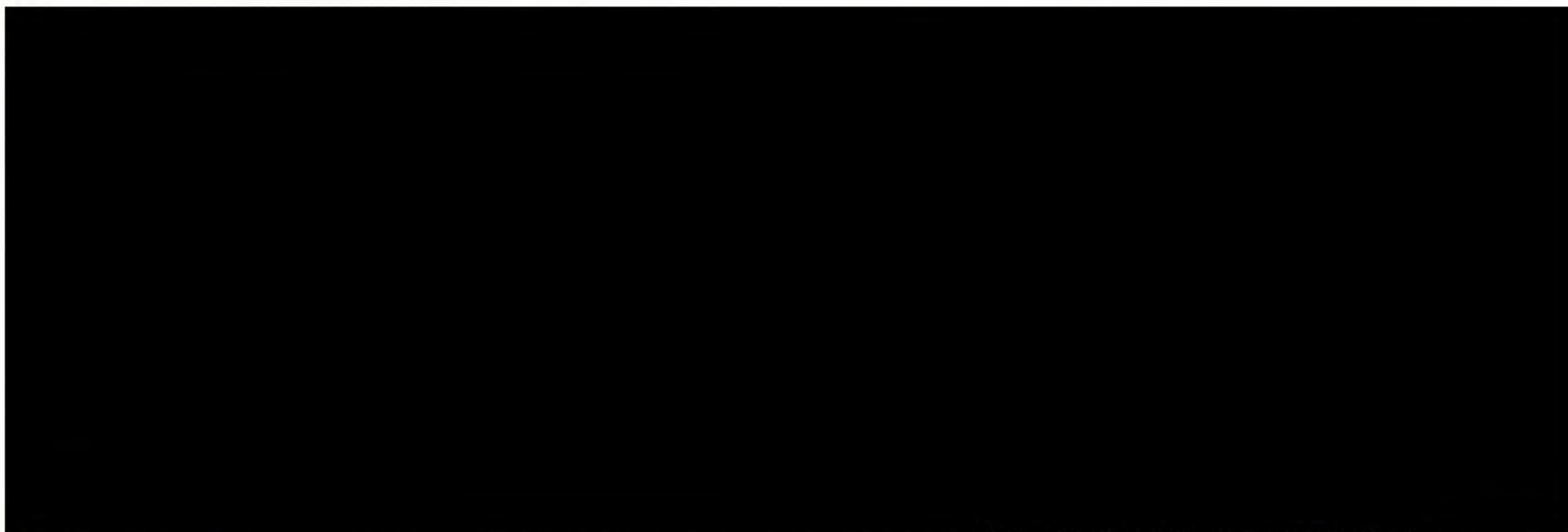
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New Hire Grant Program

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Don't let candidates get caught in the trap of comparing number of options/units alone!

Candidates should consider growth scenarios and compare offers on that basis

- We have provided recruiters with a modeling tool to facilitate these comparisons
- Candidates must make their **OWN** growth assumptions; Google cannot offer guidance on probable growth rates for any company

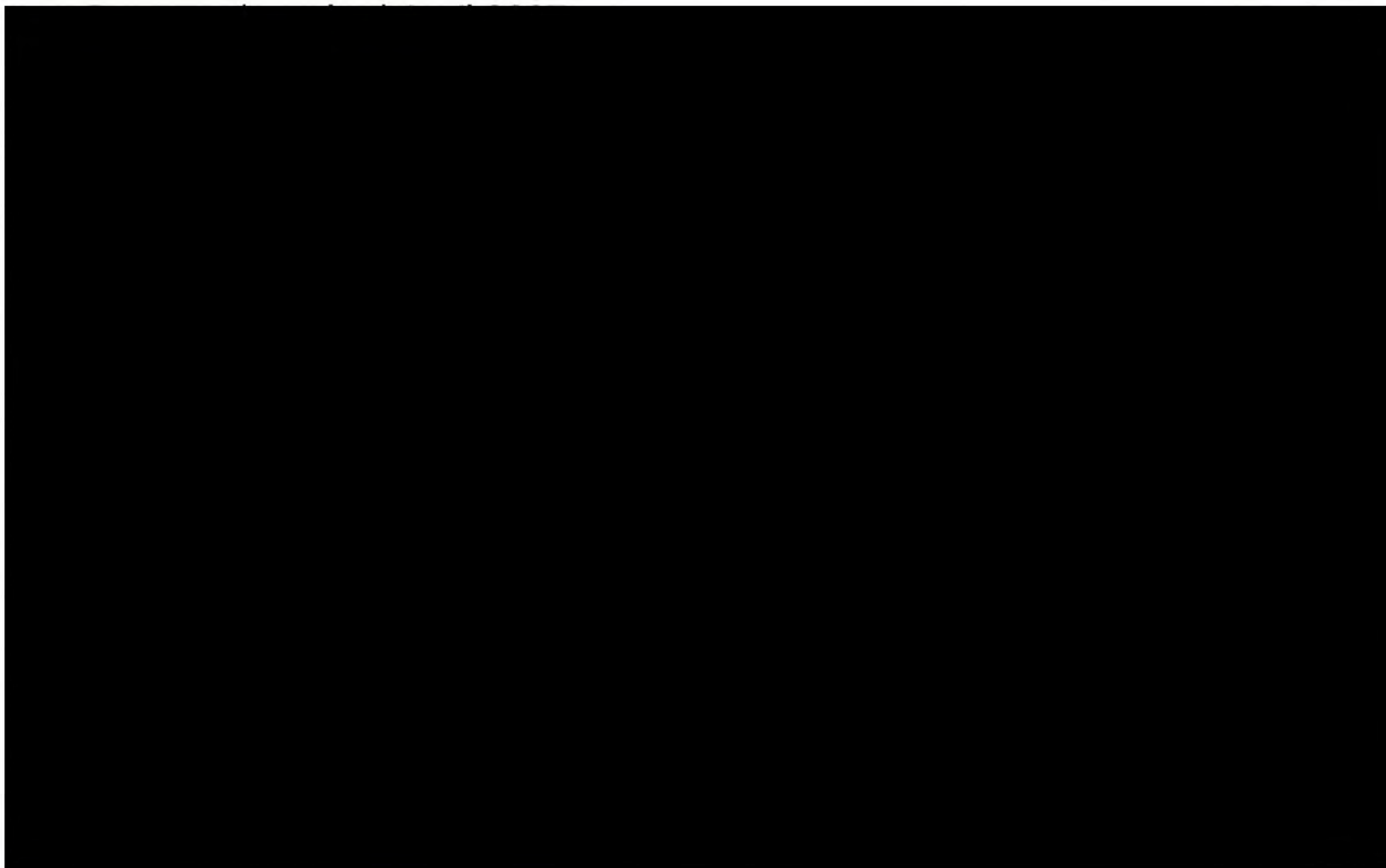
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Transferable Stock Option (TSO) Program

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TSO Program

Go gle

How are options valued?

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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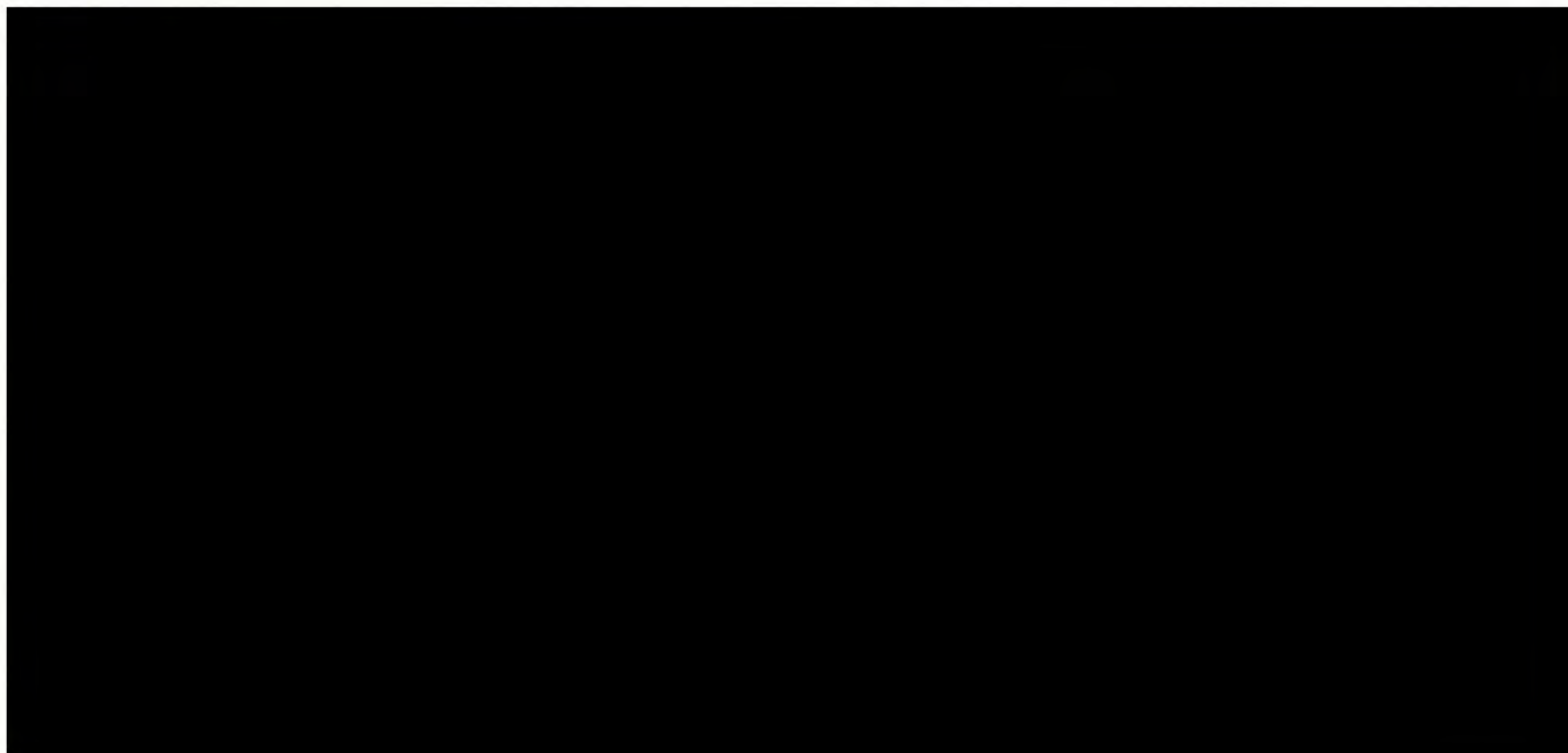
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TSOs

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How might TSO values look to employees?



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TSO Program

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How much are TSO's selling for?

[REDACTED]



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TSO Example

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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TSO Resources

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MOMA: Frequently Asked Questions

Video: TSO Video

Blog: TSO Blog

Marketwatch: Examples

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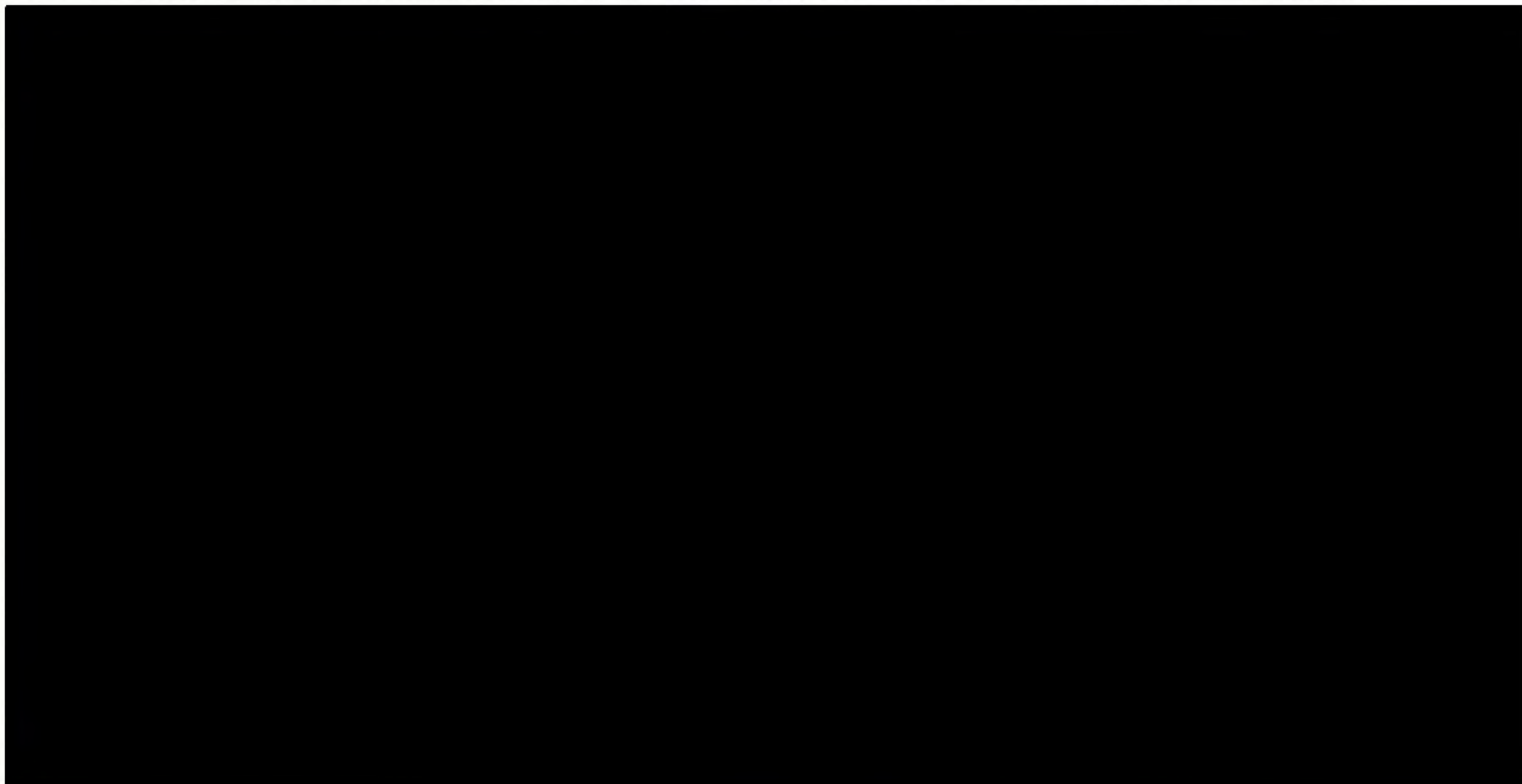
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Refresher Grants Overview

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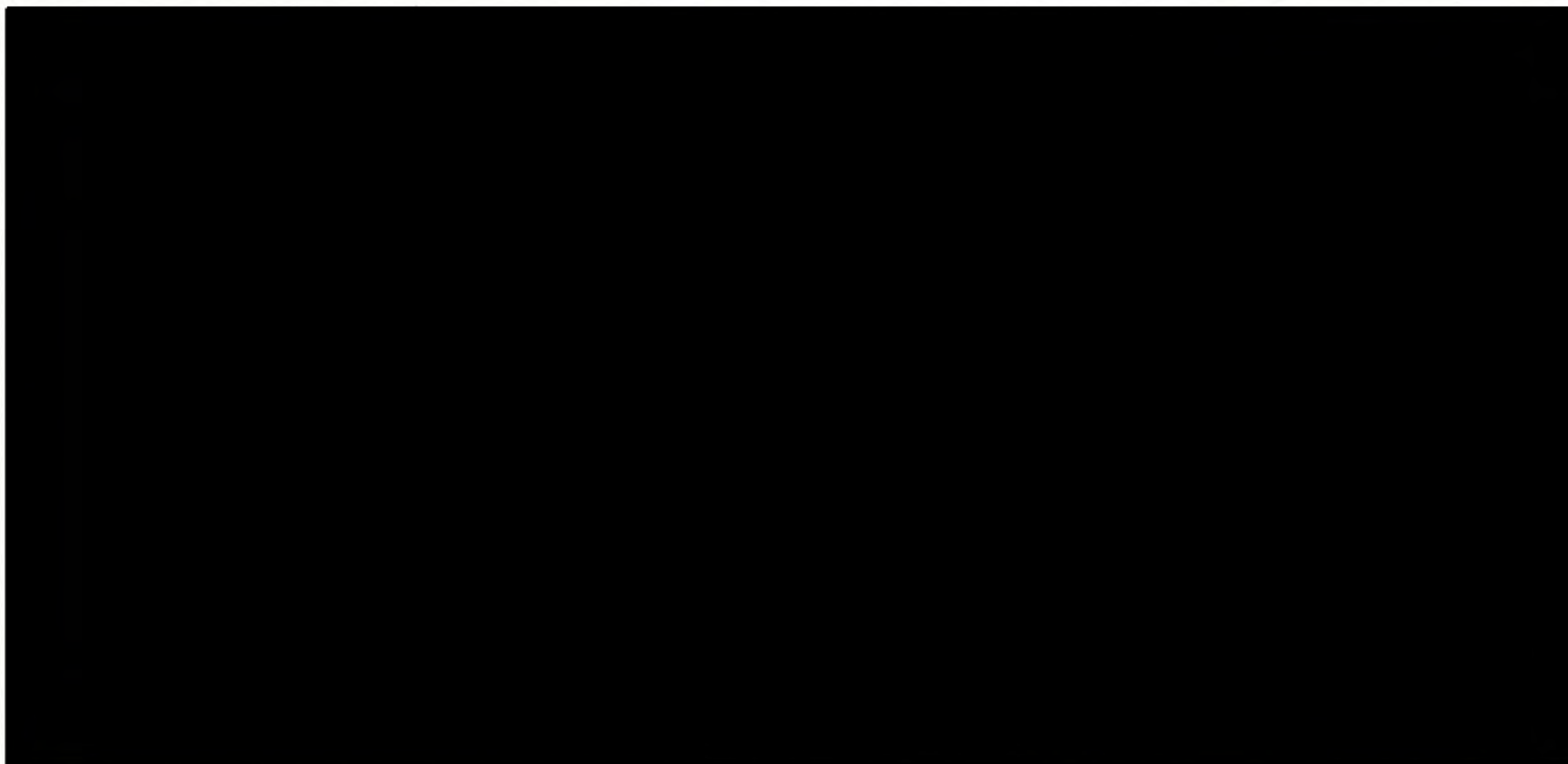
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Determining Refresher Grant Payouts

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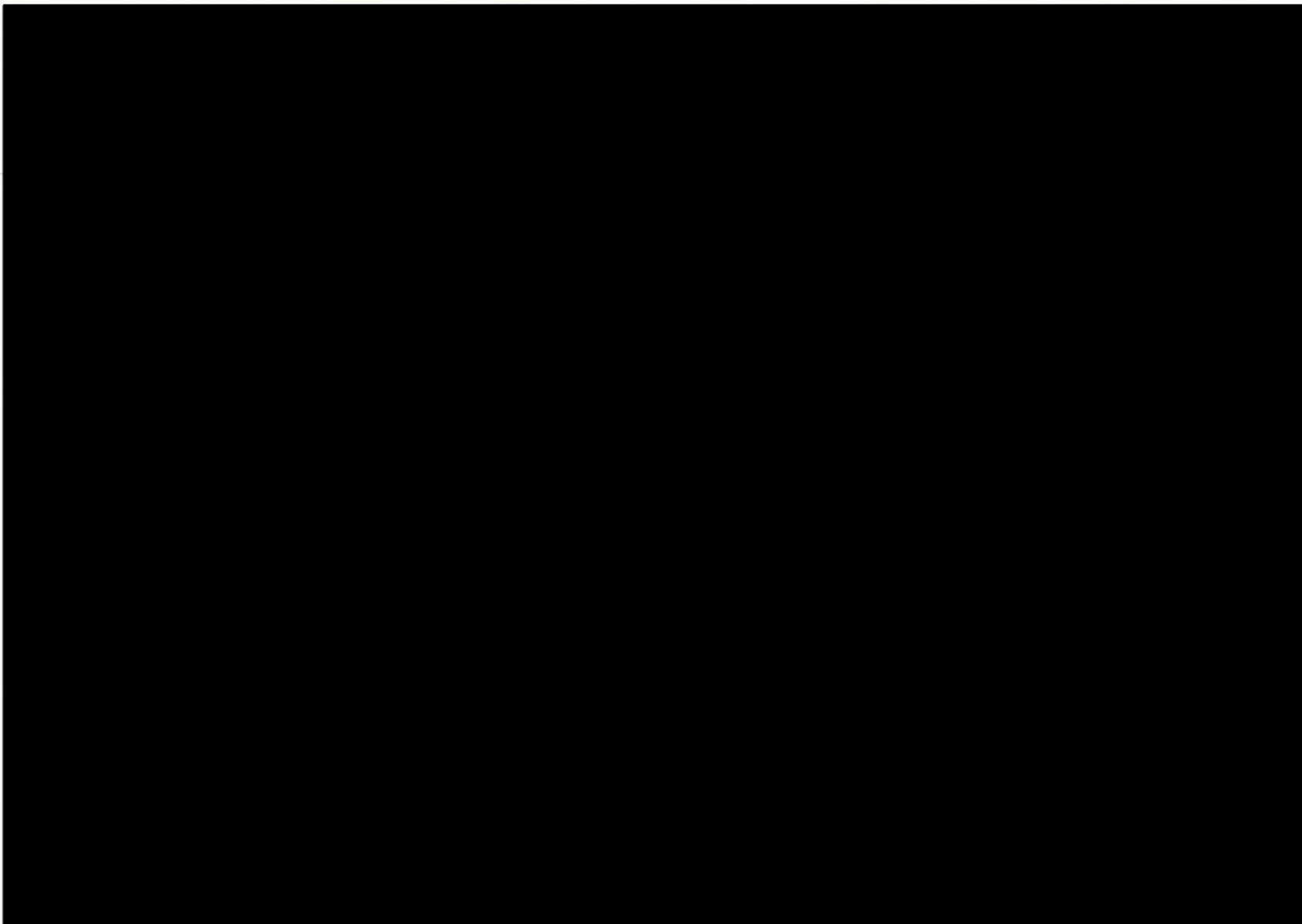


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Compensation Components

Sign-on Bonus and Relocation

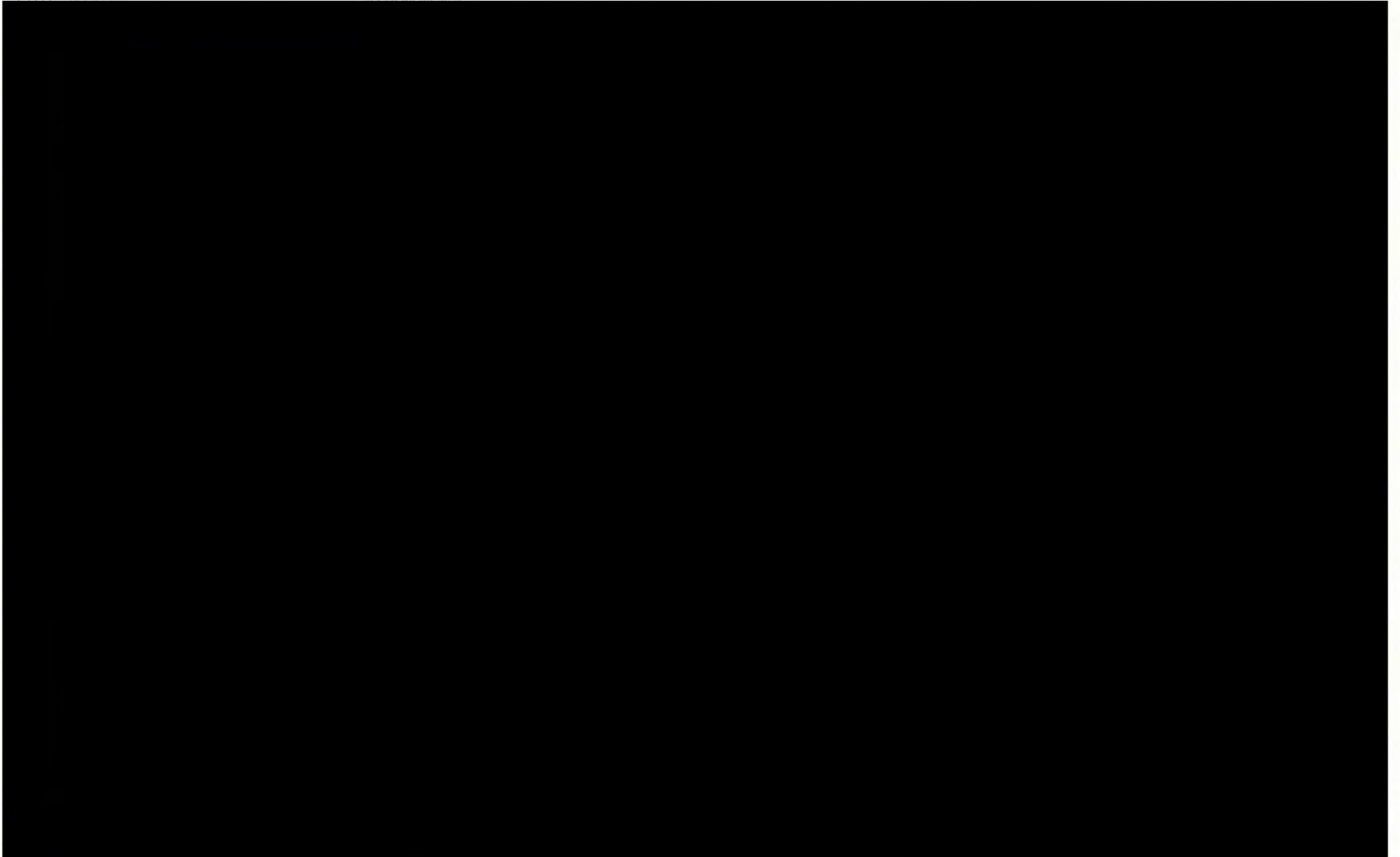


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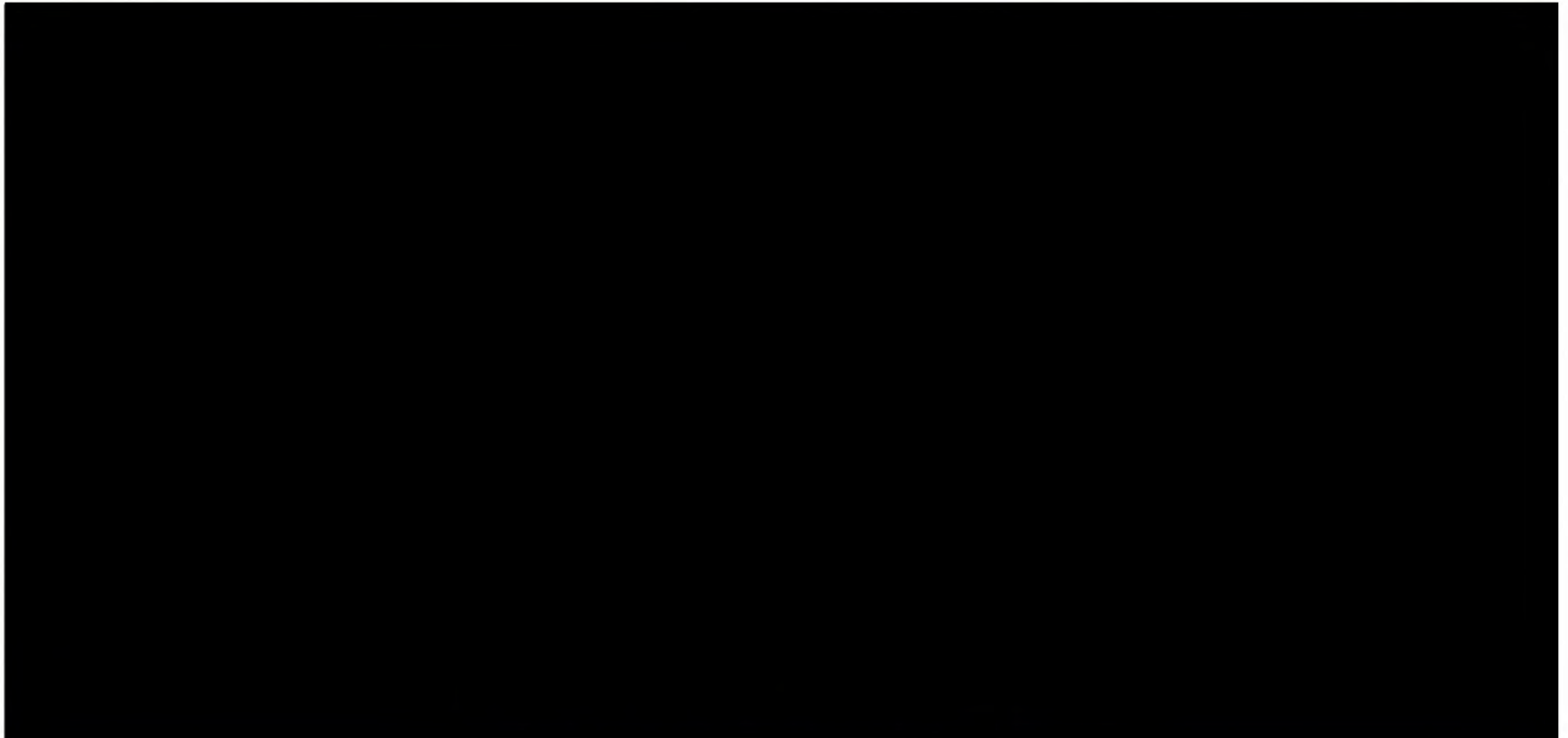
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Relocation Packages (U.S)

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**** Plan should be noted in OWF ****

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Comping an Offer



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Process



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Example/Scenario – Creating an offer

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- Tommy Candidate

- B.S and M.S. from Stanford University in Computer Science
- 3 years experience at IBM
- Specialized in _____
- Current base salary is \$72,000
- Competing Offer

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Example/Scenario – Selling an offer

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Executive Review and Equity Changes

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Roles and Responsibilities

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- Compensation Team's role

- Communicate offer parameters by level, role
- Establish a "Service Level Agreement" for offer turnaround and volume
- Train Lead Recruiters on Compensation design and offer process, and maintain training materials
- Comp offers for non-standard Jobs
- Be a consultant on challenging circumstances and questions
- Provide analytic work for variance from guidelines and quality assurance

- Lead Recruiter's role

- Responsible for training Recruiters and meeting guidelines
- Recruiter adherence to process, parameters and guidelines
- Point of contact for compensation communications

- Recruiter's role

- Understand offer process and systems
- Make offers by applying rules set by Compensation
- Understand Google's Compensation philosophy and practices
- Sell the offer: our value proposition is not solely compensation

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Miscellaneous

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International Compensation

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International Relocation



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Candidate Renegotiation

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- "Candidate Request Revision" in OWF
- Work with Comp Analysts to propose new offer
-

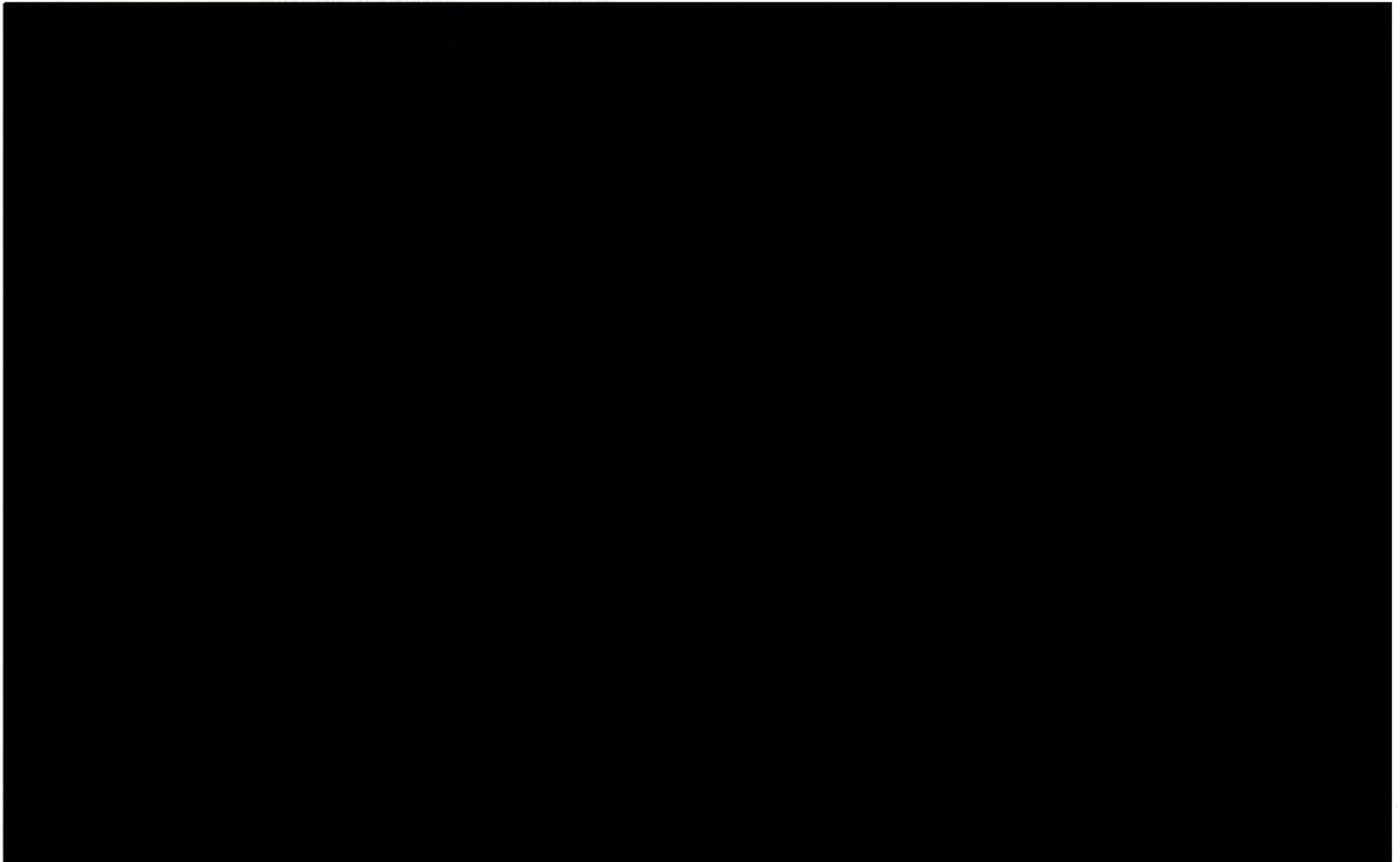
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"Exploding" Offers and Offline Approvals

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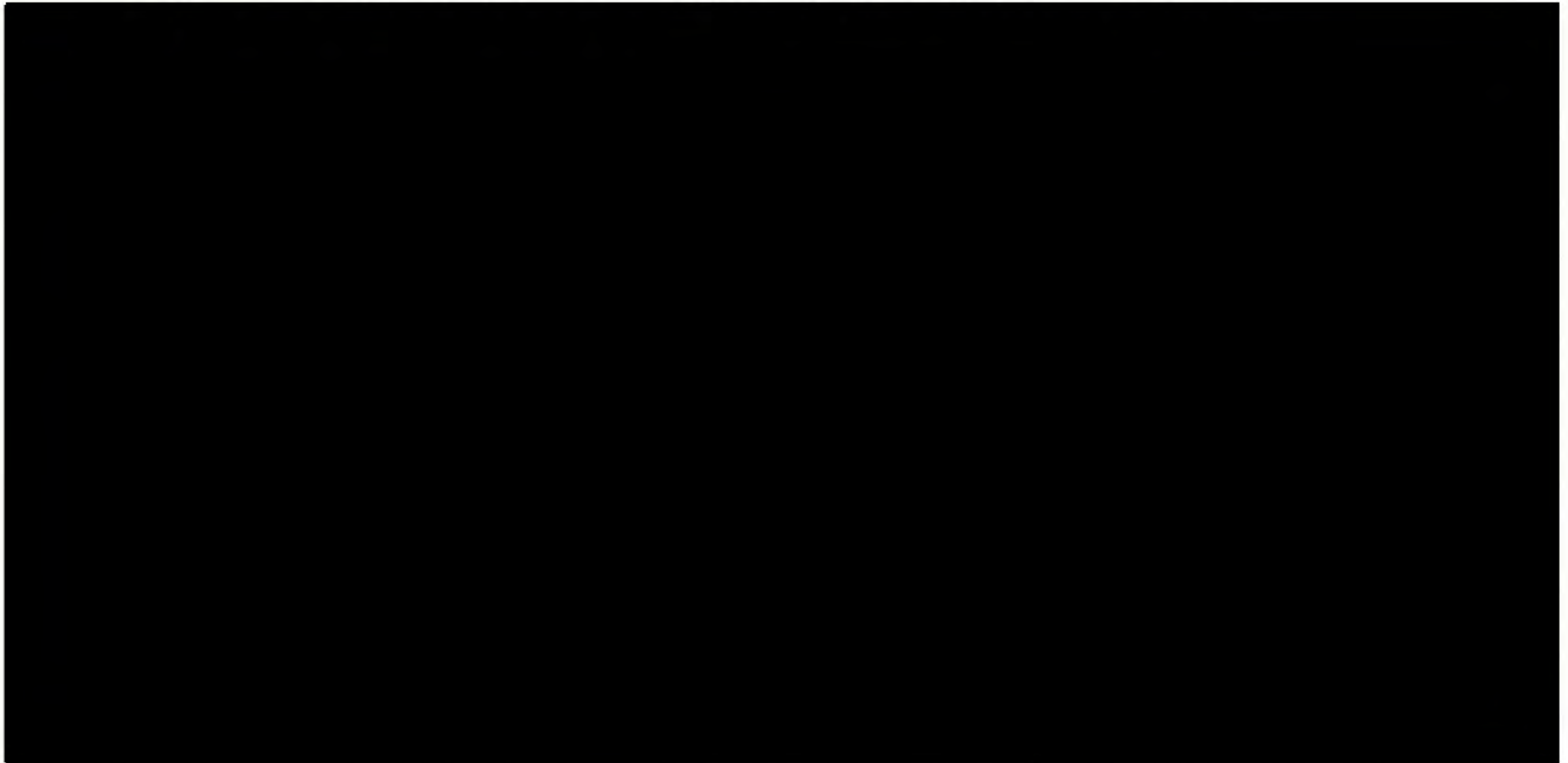
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Executive Candidates

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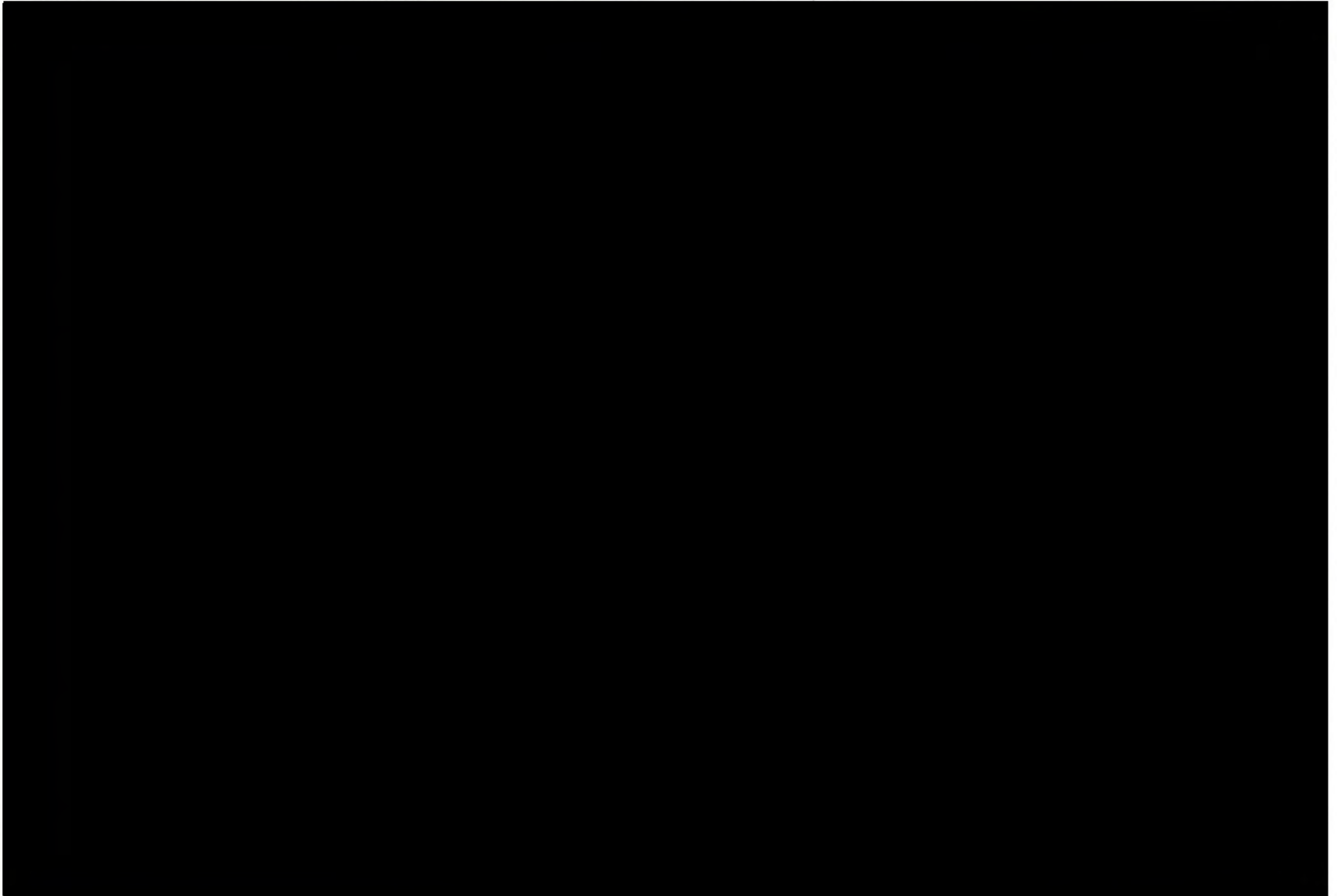
Executive Candidates generally follow the same process as all other Googlers. However, there are some unique factors to consider:



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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

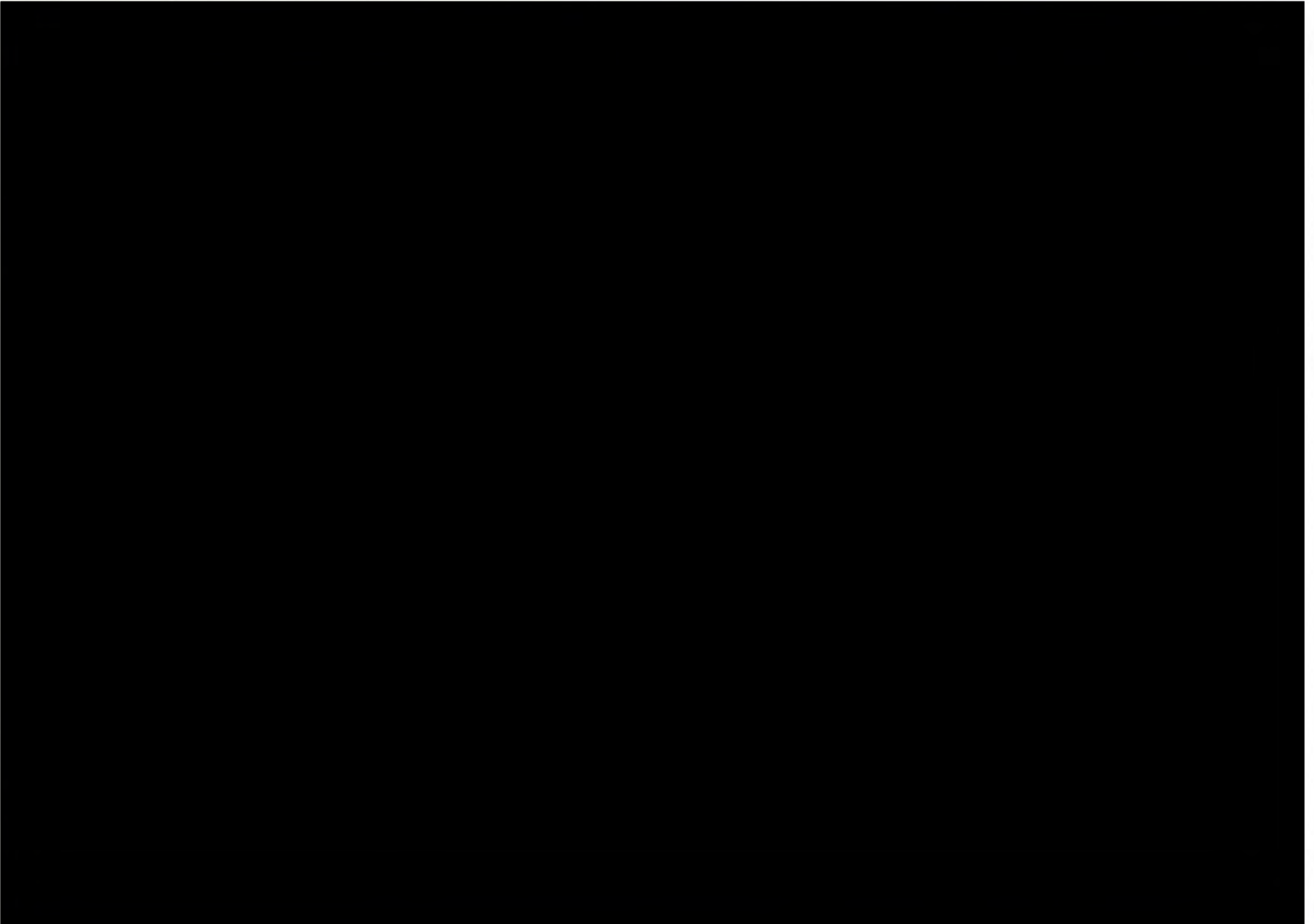
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Candidate Objections and Rebuttals

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Objection

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"I recognize that your overall package is great, but I can't afford to take this cut in my salary. I have certain ongoing expenses I need to meet NOW, and your bonuses and stock aren't payable until a year from now."

Recruiters meet in a group to discuss responses or
discuss good vs. bad answer

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Objection

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"I know for a fact that my friends received a better base salary when they were hired. Why aren't I getting the same package?"

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"I feel that there's some real risk involved in your bonus program considering the impact company performance has on payouts. I would prefer the security of a higher base salary"

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"I'm taking a massive base pay and title cut. What kind of assurance can I have that this performance-based philosophy will really pay out?"

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Objection

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(for E2 --> N2 roles in US) "Why is this position non-exempt?
Please give more details on how it impacts my compensation
(e.g., how will my bonus work)."

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Objection

Cost of living changes?

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Contacts

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Who's Who?

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Contacts

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Region	Function/ region
US	Eng & Ops
US	Sales
US	PM, G&A
US	backup
US	backup
US	backup
US	backup
EMEA	all
EMEA	backup
APAC	India, Singapore, Korea, Japan
APAC	backup for Barun
APAC	Greater China
APAC	Australia, New Zealand (Greater China backup)
LatAm	Sales
LatAm	Eng
	backup
LatAm	PSGA

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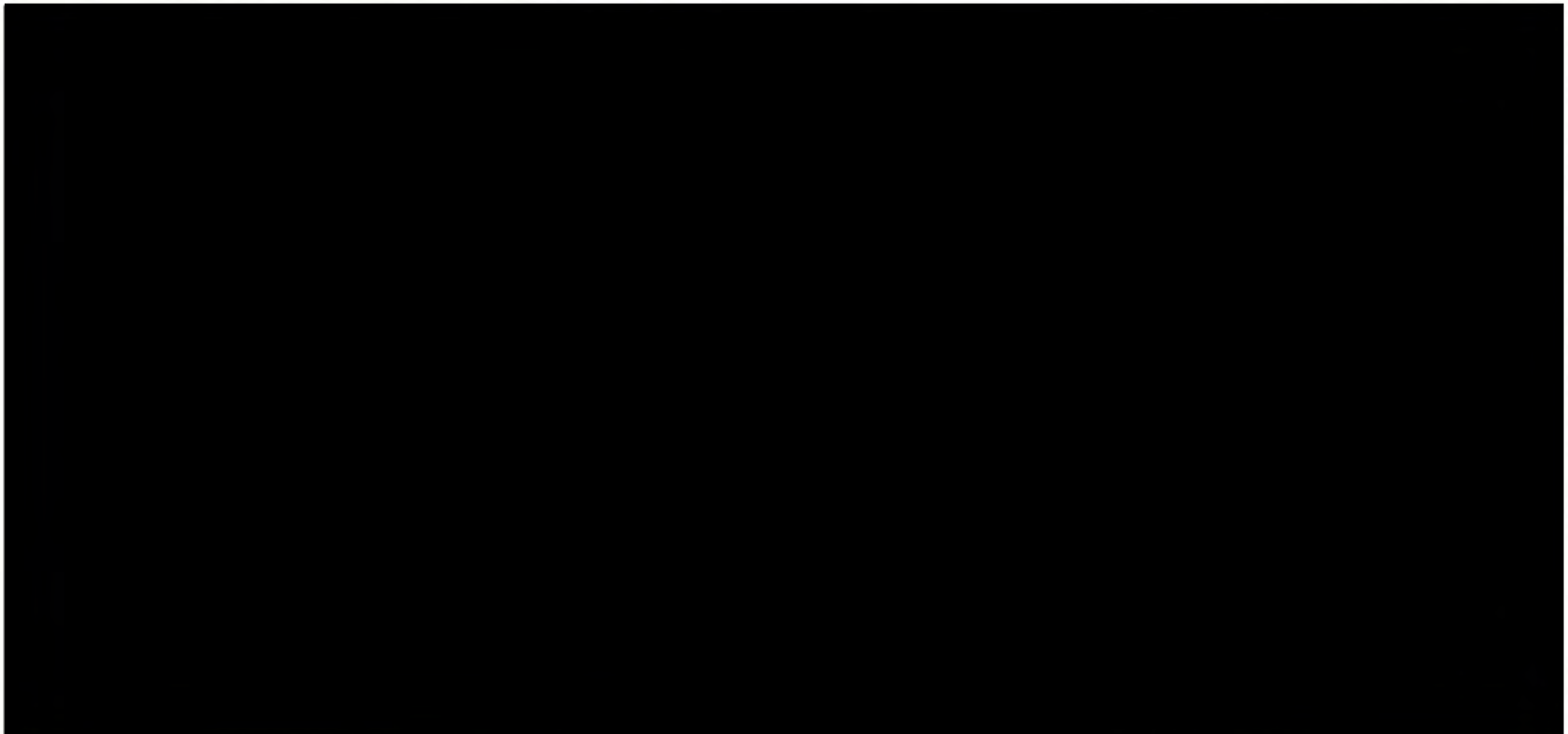
Questions?

Google
Google Confidential and Proprietary

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Leveling: Add as notes to comp practice

Google



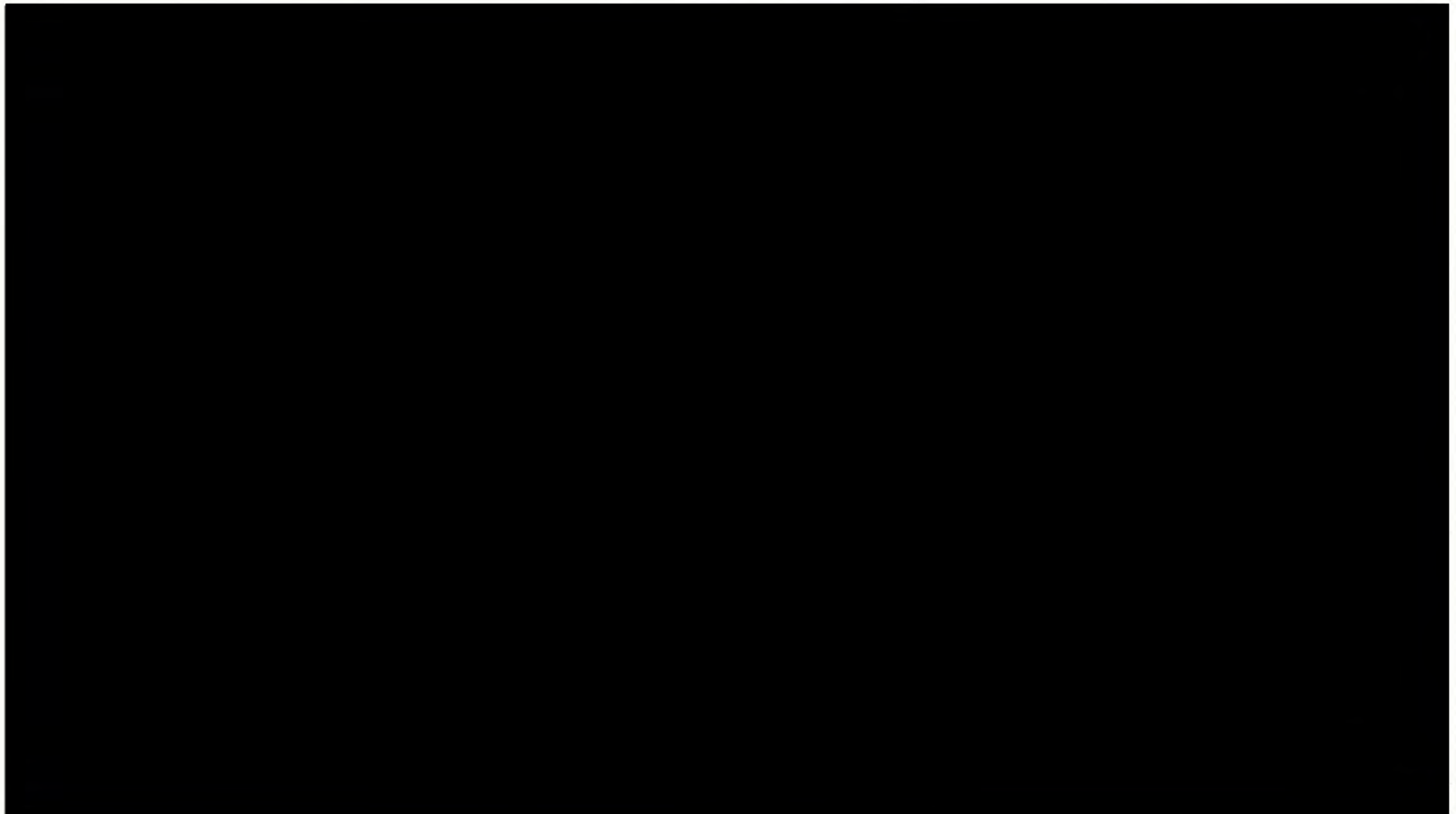
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Leveling and Titles

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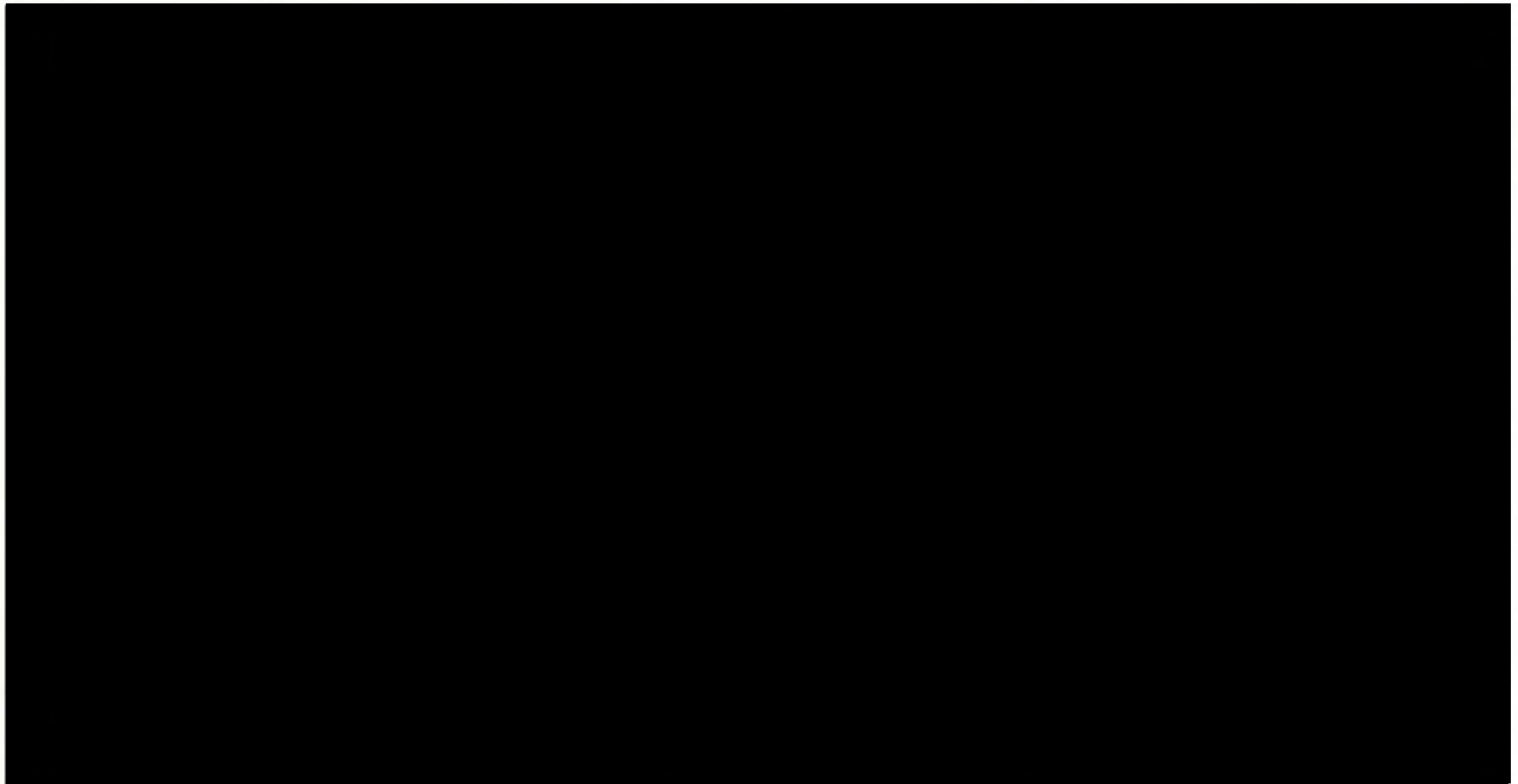
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Determining Base Comp

Go gle



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Slide Notes

Slide 3:

Philosophy

Pay History

Total Renumeration Value Proposition

Components

Base Salary

Benchmarking

Leveling

Setting Base

Bonus Programs

Company Bonus Program

Sales Incentive Program

Long Term Incentives

Stock Options

GSUs

TSO Program

Sign-on Bonus and Relocation

Comping an Offer

Process

Application/Example

Executive Review (equity changes)

Roles and Responsibilities

Miscellaneous

Annual Review

International Comp

Candidate Renegotiation

Exploding Offers

Executive Candidates

Slide Notes



Objections and Rebuttals

Contacts

Questions

Slide 4:

Why did we establish this policy?

We want to reward high performers – incentive for hard work and great achievements

Share in the success of Google as a company – people are given agency

Tied to the culture – very little micromanagement.

If there was just a base salary people may not work as hard. What is pay designed to do? Pay as motivation.

Mixed arrangement of stock options and GSUs offer downside protection

Through equity employees are tied into the success of Google

Aligns employee and company success

We give equity to everyone. Rare – Most companies just give equity to manager level and above -- inclusion

Slide Notes

80% of US companies have bonus programs for employees

We can afford to pay this way.

We want to promote innovation and performance

Companies that pay high base, low bonus want to attract a stable workforce that will stay until retirement
– we aren't attracting those kinds of people

Slide 5:

Our compensation philosophy today (for non-Sales) is to target compensation at the [REDACTED] for each of salary, total cash, and stock compensation.

What does this mean?

[REDACTED]
[REDACTED]

It doesn't mean we target our compensation to be the highest. If you compare your salary with enough of your friends doing similar work at other companies, [REDACTED]

However, if you were to compare actual total compensation, you might find Google compensation to be much higher, or even highest

Our compensation philosophy has been evolving as we have been evolving

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]

Slide Notes

Slide 9:

Compensation at Google is a lot more than just salary. When we talk about compensation we mean *total* compensation. When you add in bonuses and annual stock vesting, compensation at Google becomes more and more competitive. So if you're going to compare Google compensation to compensation at other companies, add all the pieces together.

One thing that's uncommon about Google's compensation is what we mean by target. When other companies say target they mean max. When we say target we mean target – and we expect there's a very strong chance you will be paid above target in your *actual* compensation. Actuals shown here are averages for the last year, but actual bonuses and stock compensation can vary dramatically based on both your performance and the company's performance.

Slide 12:

Cost of Living vs. Cost of Labor

We set our pay levels consistent with our philosophy based on the role at Google and the local market. Essentially, we pay for cost of labor NOT cost of living.

Slide 15:

When confirming the candidate's level, consider how they compare against our Google incumbents.

How does this candidate's education and experience compare to their Google peers?

What specialized skills or critical knowledge might they bring?

Use this information about the candidate to determine where they should be placed in our nine tier system of salary levels, which we review in Staffing Orientation.

LEVELING: Job vs. candidate

Many Lead Recruiters have a good sense of prototypical employees per level or job type. Asking the hiring manager these questions too might be a useful way to ensure that you're leveling this candidate correctly.

Slide Notes

Upon leveling the job, consider the following when determining the actual compensation:

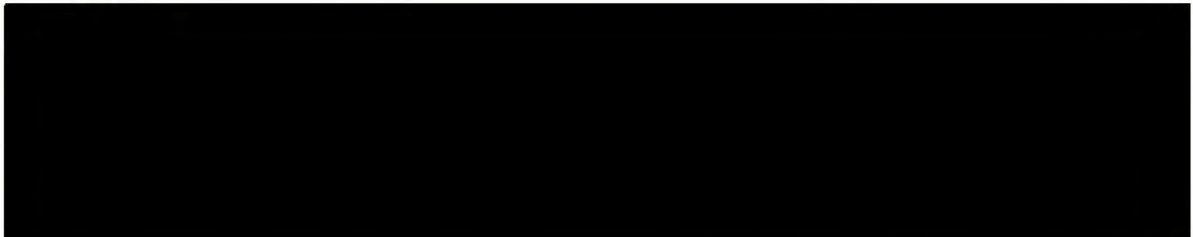
Internally consistent – target total cash should be generally consistent with offers made to individuals for Google positions with similar expected impact and risk. The comp team heavily considers this factor.

Externally competitive – target total cash should generally compete with other offers known or unknown and let candidate make a decision about the position on the basis of job content, company, and role. Google evaluates this data every year to confirm that our salary structures are consistent with external market data.

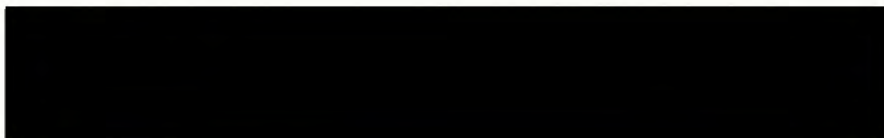
Gather data! Everything you can about the candidates current compensation, target/actual bonuses, vested/unvested equity, equity type, guaranteed bonuses, etc (I should create a checklist for this!)

Let's talk about the actual steps involved and what to think about when determining an appropriate offer...

Slide 17:



Slide 22:



Slide 23:

Salary Increases

Slide Notes

Google awards salary increases based on a variety of factors including competence, how well you have accomplished the goals set with your Manager over the last year, and sustained performance. Additionally, your salary increase will be contingent on other factors, such as industry-wide averages and Company resources allocated for salary increases.

The salary review process, though still developing, is designed to be fair, consistent, and to clearly promote the link between pay and performance. The following factors will be taken into consideration in determining the amount of a salary increase:

Your job performance since your last review, i.e., accomplishments vs. objectives/goals, and how well you have performed the core responsibilities of your position;

Market competitive pay rates for your level of responsibilities; and

The current salary increase guidelines developed by the Company (these are based on industry-wide trends and the Company's operating budget).

A salary increase will not be granted if your performance did not meet expectations or if your salary has reached the maximum of the market salary range. All salary increases must be reviewed and approved by your Manager, the appropriate Director or Vice-President and Human Resources.

Slide 35:



This is a program for rank and file employees to understand and access the real value of their options.

The beauty of it is that it's simple. We know that investment banks are providing bids everyday on Google options in the public options markets, so we asked some of them to point their bidding engines over to our auction and provide our employees with bids in a similar manner. These banks use their own algorithms to stream bids in real time to a clearing engine that identifies the highest bid and shows it to employees through an interface that works like a personal brokerage account. When employees login to the auction site they can look at the prices moving up and down throughout the day and decide if they

Slide Notes

want to sell or continue to hold their options. Either way, we've succeeded in making the intangible time value tangible; and we've simplified the communication of option value.

[REDACTED]

[REDACTED]

Let's take a look at some actual transaction data on the next slide...

Slide 38:

The auction is working very efficiently as the values employees are getting are similar to what you would expect to see in the public options market or a Black-Scholes calculation.

I think it's clear that Google's TSO program is great for employees, but what does it mean for the company...?

Slide Notes

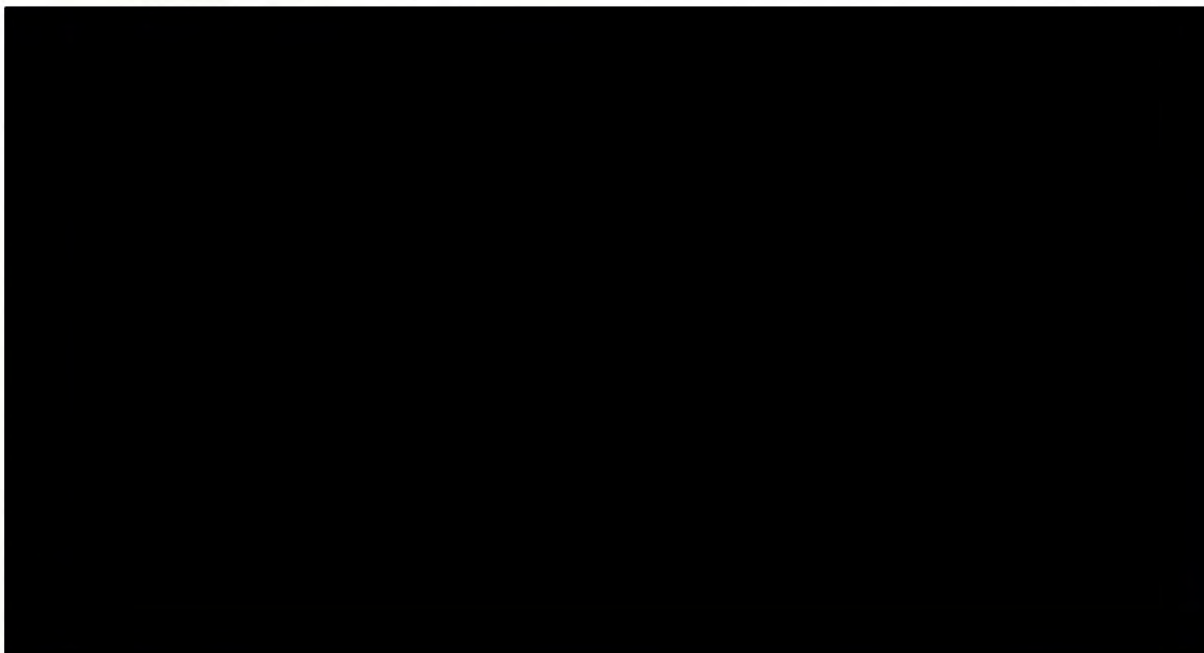
Slide 41:

Rewards high performers with an additional stake in the company's future performance in the form of stock options

Motivates high performers' contributions to Google's long-term growth rather than provide immediate value for contributions already made (cash incentive plans do that)

Creates an incentive for all employees to reach high performance levels on an ongoing basis

Slide 45:



Slide 59:

Slide Notes

[REDACTED]

Slide 73:

Egalitarian Culture

Example – SVP's being kicked out of a conference room because it was reserved by lower level employees and it was their time to use the room